Increasing the Role of Private Sector in Development Opportunities in Africa using Innovative Finance Principles

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by

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ABSTRACT

This research examines the role of Development Financing Institutions given the increasing scale of the development needs with the advent of the SDGs. It asks how DFIs should be reviewing their role, using Innovative Finance tools and bringing on board more private sector partners into Development to achieve greater development outcomes.

This qualitative study examines 82 DFIs across the African continent using secondary data from surveys and speeches referencing Innovative Finance for DFIs. The research theory is developed by applying Grounded Theory in order to develop a theory which can be used to frame the logic for increasing engagements with private sector partners. Bottom-up secondary data is utilised to develop a DFI Engagement model for making strategic choices on private sector partnerships. The data was coded for analysis with eight different coding frames for the development of data categories to inform the key themes that support the theory.

The results showed that generally DFIs across the African continent are potentially missing out on opportunities for greater development through lack of external engagement in particular private sector. In addition, their use of Innovative Finance tools is limited by awareness and technical capability. The research proposes how best the private sector should be engaged through the engagement framework, and recommends potential new roles for DFIs to play in this rapidly changing landscape. Lastly recommendations are made on further areas of work for the DFI fraternity to institutionalise such recommendations.

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GLOSSARY OF ACRONYMS AND TERMS

Blended Finance:	The mixing of public funds with private funds to facilitate higher rates of participation
DBs:	Development Bonds
DFIs:	Development Finance Institutions
Financial Instruments:	An agreed-upon monetary mechanism of exchange
Innovative Finance:	Money raised in creative ways to support of development
MDBs:	Multilateral Development Banks
MDGs:	Millennium Development Goals
NDBs:	National Development Banks
ODA:	Overseas Development Aid
PDBs:	Public Development Banks
SDGs:	Sustainable Development Goals
SIBs:	Social Impact Bonds
WB:	World Bank

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The participation in this course and my passion for this project has been a two-year labour of love, but not without some pain. This tone, set January 2016 settled in my being for the full two years. In truth, it could not have happened any other way.

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To my Father and Mother, I truly am overwhelmed with all that you have done.
You allowed me the space to embark upon this journey. You were surrogate parents, looked after my children, took the slack when I could not be present and never, not once did you say you were too busy. This degree belongs to you.

DEDICATION

The centres of my heart, my children, Chuma, Qhawekazi and Mholi.

who now know what it is to give up everything you love for creating a life that you will love.

CHAPTER 1

INTRODUCTION

"It is incumbent upon DFIs to find redefine their space within development. Lest they be ignored into insignificance." – Loyiso Ndlovu, March 2018

1. Introduction

1.1. Background to the study

Development, its impact, its relevance and its financing, lie at the heart of sustainability. The scale and volatility of global economic and environmental disruptions are such that they necessitate a radically different approach to supporting the poorest of the poor. (Schmidt-Traub, 2015) estimates that achieving the SDGs will require annual investments of $343-360 billion in low-income countries, and $900-944 billion in lower-middle-income countries. These investments need a total of $1.4 trillion, accounting for 0.8-1.3% of world GDP, of which almost half can be financed privately. It is clear that finding finance which has resonance and a common purpose for action remains an elusive aspiration at this time.

At the same time, Development Finance Institutions (DFIs – government-backed financial institutions established to invest in development) are tasked with giving effect to greater outcomes through the mobilisation of finance. They are crucial to ensuring that development benefits are not only achieved but are also equitable in allocation.

1.1.1. Scale of the development need

It is common cause that the scale of the development requirement is such that neither DFIs nor Governments themselves have the means to fully address the scale of the development need. The 2015 Sustainable Development Goals (SDGs) therefore, call for a more engaged and developmentally concerned private sector to work with the public sector to solve some of the world's inequalities. The private sector has heeded that call, and several significant innovative financing instruments have been developed in response to the need to support development (Development Initiatives, 2016).

The European Commission (2010) defines Innovative Financing as finance that is raised in support of development, using non-traditional sources of finance (European Commission, 2010). Whilst the functioning of the financial instruments themselves may be standard (for example using amortised debt which must be repaid, creating ownership through equity, managing risk through guarantees, incentives or behaviour modifiers through taxes), the innovation lies in aligning non-standard sources of money and defined results-based development outcomes. Emphasis on defined and precise results is where development best finds expression. It is in the correctly located interpretation of what is required to support development and the pinpoint application of funds that the probability of positive development outcomes is exponentially increased.

Instruments such as Social Impact Bonds (SIBs), financial sector levies (for example leverage and risk-taking, bonus payments and profit surcharges), Development Impact Bonds (DIBs), private finance incentives (for example advance market commitments) and blended finance mechanisms have laid the foundations for the structural redefinition of the role of finance in development, challenging how finance as an instrument could be better used to increase the efficiency of finance-granting institutions. These mechanisms have the ability to change the relationship between the state and private sector, and can be used to align outcomes and partners, and to embed systemic change.

1.1.2. The revolution in finance

Money has had a historical role in redefining the behaviour of states and social systems. The financial sector crises over the past 100 years, from the 1929 stock market crash, the Nordic region real estate crises between 1985-89, to Japanese bubble in 1985, and the critical banking failures in the 1980s and 90s, have demonstrated how the abuse of power associated with the use of money can lead to systemic changes in the financial services sector. (Persaud, 2002); (Strobl, Daigler, & Oztekin, 2013). In all cases, significant changes occurred within the sector. These changes had a significant impact on sector participants, particularly on how the sector is regulated, how it is expected to participate in economies and what the sector's ultimate responsibility is to the broader society. Moreover, the behavioural norms of financial services have been redefined, and this provides the opportunity for innovation (Persaud, 2002). Innovative Finance (IF) instruments and the non-conventional use of money are part of a recent financial revolution which responds to the call for a greater symbiotic relationship between society, finance, available resources, institutions and economic policy for development.

According to Dalberg (2014), IF instruments complement traditional international resource flows such as foreign aid, direct investment and remittances to mobilise additional resources for development and addressed specific market failures. Uncharacteristically, they are delivered in partnership with private sector funding to give effect to social and economic development.

Because of its nonlinear identification of sources of funds and its partnership nature, IF in its form and function begins to blur the line between the private and public sector. It challenges how private-sector capital is understood, and how public-sector capital is applied and evaluated. These non-delineated relationships provide a new platform for the creation of partnerships between private and public capital that is based on mutual interest and societal benefit. They give a further dimension of understanding to finance and its location in society.

As these financing models evolved, the private sector has responded to the call for partnerships. However, according to the researcher's observations, DFIs have been slow in defining for themselves what this evolved landscape means for them. As the leaders in the discipline of financing for development, the changes in the financing mix have surprisingly not been driven from the trenches of development finance.

Since the first Social Impact Bond model in 2010, and as of July 2015, a total of 39 IF models and projects were being developed globally (Wright-Gustafsson et al., 2016). As of July 2016, there were 60 (Dear et al., 2016) – almost double within a year. Tellingly, only five of those actively included the participation of DFIs.

It is the assertion of this paper, that even though this area is not yet mature, the exclusion of DFIs is even more prevalent in the case of IF projects on the African continent (the Continent).

1.2. Problem definition

The landscape of financing for development has changed significantly. As the private sector has begun to embrace the potential for a role in development, the specific role and opportunity for DFIs have not been examined exclusively. There is little evidence on the Continent that African DFIs have sufficiently embraced the new types of financial instruments that could work to increase private sector participation to foster development.

This research seeks to confirm whether, given the opportunities that IF presents, African DFIs have adopted and used IF mechanisms and thinking to increase delivery on their mandate. If not, could they potentially have missed out on opportunities to increase development benefits by aligning their resources with the private sector in this evolving society?

1.3. Statement of research objective

In the end, this research must be able to reflect to DFIs their potential redefined role in advancing development by thinking differently about economic intervention for development. This can be achieved by using IF principles as an approach to finance. DFIs must examine closely the role players available to support these changes and how their own roles could and should change in order to facilitate sector participation. It is not a question of whether they use the instruments and thinking per se, but rather of the missed potential opportunities to advance development by simply choosing *not* to apply such instruments and thinking.

Research Objective:

To create a financing principles guide for DFIs that wish to increase their development impact potential by considering IF tools. This is done by investigating international DFI experiences and reviewing them for local use.

Research Goal:

To develop a framework that DFIs can use to increase their participation in IF projects by increasing engagement with private sector partners. This will ultimately advance the fostering of development opportunities through partnership.

1.4. Justification of the study

DFIs are entities charged to give effect to economic policy weaknesses which manifest themselves in unachieved development benefits as a result of market failure by financial intermediation. As DFIs sit on the cusp between the public sector and private sector they hold significant positional and coercive power. This power vests in their ability to harness private, public, and development players to the common cause of providing finance for the betterment of society at large.

This research would be relevant for DFIs, governments, and for the private sector as they are all tasked with responding to the need to support structural economic and development changes, as well as support their often volatile economies. Furthermore, they are charged to place economies on the path of creating income equality and long-term sustainability.

1.4.1. Relevance for Development Finance Institutions

Traditionally, DFIs have been premier providers of development capital to support structural economic and development changes. This ‘protected’ role in the financing ecosystem is potentially being eroded by the increase in participation from other role players, which changes the defining role of capital provision and its application.

In the role of Government as the holder of the mandate for public good, development efforts to ensure that benefits accrue to the greater good of society has been the domain of DFIs. Keynesian economic thinking cites a specific role for government intervention to support the poorest of the poor. The view that there could be a possible role for players outside of the public sector which could also be to support development outcomes, requires some introspection. Furthermore, it requires that commonly held and understood economic principles of development are re-examined. Whilst this change in the development appetite is welcomed, it has the potential for some unintended consequences, which DFIs must strive to mitigate.

For-profit development: As private sector financing to development increases, there is an outside risk that the for-profit motive of commercial entities may start to lead in the ethics of Development. Consequently, this could result in a shift in focus away from development outcomes and towards for-profit development, or at the very least, maximising profit strategies. This philosophy of an established relationship between commercial business (engaging for-profit maximisation) and Government (engaging for public good) has the potential to impact behaviour negatively, and by implication will affect the depth of the outcomes.

Economic exclusion: The potential impact of this economic paradigm shift is an unintentional but structured economic exclusion of marginalised and vulnerable groups. These groups may not be equipped to respond readily to the changing role players and the changing power dynamics.

Rent-seeking behaviour and subsidisation: As the private sector increases its participation and actively seeks alternative forms of financing profit subsidisation (often with significantly reduced costs of capital) linked to lower costs of capital this could encourage rent-seeking behaviour. This may be especially so when a lack of quality accountability for development outcomes or transparent transaction cost-formulation is evident.

Displacement paradigm: As commercial players begin to undertake development finance on a larger scale with typically better efficiencies and align themselves with intermediaries better able to manage outcomes, there is a high risk of development displacement of DFIs.

The ultimate question is whether other participants could deliver more efficiently and use their skills to better effect. What then should the role of DFIs be? For government, this study is important in guiding how it interprets and understands the best uses of institutions such as DFIs and other state resources to support development.

1.4.2. Relevance for the State and its Economic Policy

The increase in external participation must force government to examine the most effective role it sees in the development of an ecosystem. This research should allow governments to see opportunities for how best they can leverage their own resources to derive greater benefit.

Benefit one: Potential to maximise institutional capability

Government's main role is to deliver services and public goods for all citizens to enjoy and consume, but which they are unable to apportion to individual use. Where local economics are inequitable, the scale of equitable use and availability is not equal to the resources available with which government can respond. It is then incumbent upon government to use the funding at its disposal optimally, and further to leverage other funding to place the finance effectively.

Benefit two: Embed and refine economic policy through institutions

As government seeks to increase efficiency by using all the resources at its disposal, this research could be used to refine thinking on the most appropriate economic role of DFIs and other State Institutions. Policy analysis, its implications and its forward-looking assumptions could be reconsidered should this be useful.

1.4.3. Relevance for the private sector

This study is equally important to the private sector, as it begins to formalise how best to increase development exposure, whilst not undermining the commercial opportunities.

Opportunity one: Private sector development

The private sector has heeded the call for participation in the development of society at large, however some doubts exists about the long-term viability of this economic model. Opportunities exist for using the agreed-upon strengths of the private sector (the skill, the outlook) to increase efficiency within government and to provide finance which is not purely for profit within the private sector.

1.4.4. Relevance for philanthropists

Furthermore, this research could be beneficial for philanthropists as they redefine ‘value for money’. Philanthropists seek ways to invest whilst achieving outcomes that are socially enhanced with financial merit. This research will assist them in finding ways to increase development and to invest in the sustainability of long-term benefits and self-sustenance of their money.

1.5. Research process overview

This research explores the ethos of Innovative Finance by bringing together DFIs, their related academic discipline and the private sector. It links these by aligning their economic imperatives with the appetite for a development solution.

Firstly, the research sets the context for the discipline of Development Finance. This outlines the academic and theoretical base for the existence of DFIs. The different factors which impact DFIs are analysed in the context of their roles as financiers, supporters, convenors and analysts, as well as their economic impact.

Secondly, the changing global landscape is presented, allowing for an examination of the role of African DFIs. Secondary data from the Association of African DFIs is used to create an understanding of circumstances under which DFIs on the Continent operate and this brings together the data, which is used to develop a working theory on the role of DFIs.

Thirdly, this role is then assessed against the gaps from the data, and a framework for engagement is developed as a mechanism for closing those gaps and bringing the potential partners closer together. The role of a DFI is then re-stated to enhance understanding and new roles are identified, which may not have been clear in the changing landscape.

1.6. Conclusion

It is believed that the findings of this research will prove useful in challenging governments, the broader DFI fraternity, the private sector, and policy schools to examine their longer-term roles in creating new economies. Innovative Financing holds the potential for increasing the capacity of DFIs to fulfil their social development mandate.

Traditionally, DFIs focused their financing activities on catalysing large-scale economic impacts. Although some social impact outcomes were achieved, DFIs have not easily been able to attribute economic gains to their direct interventions and support. This category of development outcome is crucial to countries affected by great economic and social inequality where such benefits would have a positive impact, especially on those at the bottom of the pyramid.

It is this strong integration between IF options, philanthropic financing, private capital and public-sector finance which holds the potential to scale up the relevance and support in an aligned and significant way. DFIs would be enabled to provide effective development support to align to their financing activities, the private sector would continue to invest in social programmes, but through this research, both could be encouraged to scale up their appetite and include each other to the benefit of development.

Finally, it is anticipated that DFIs would be able to develop many demonstration projects which would build and support the call to increase private sector participants.

CHAPTER 2

LITERATURE REVIEW

"Development finance and its co-dependant relationships form the backbone of how we can give effect to development effectiveness." – Loyiso Ndlovu, March 2018

2. Introduction

Development Finance Institutions are tasked with intermediating finance into economies to achieve developmental outcomes for society. As more institutions realign their thinking and engage with development concerns, so the role of DFIs must be refined to deepen the effectiveness of their interventions.

To promote this understanding, this literature review focuses on understanding the changing landscape of financing development, its different role players (both private and public) and their interaction with DFIs. Starting with the examination of DFIs and their role in market failure, this review then explores the mandate, expected roles and the definition of 'development'.

The review then examines the range of development role players that currently work in the sector development and asks questions about the private sector's engagement. The last section considers the tools that have been used to deliver development and outlines new financing tools and instruments which are now available to assist in achieving better outcomes. This includes a view on Innovative Finance. IF is explored as an instrument and as a philosophy, and the research lists the criteria for referring to an innovation in financing. Finally, the outcome of the literature review provides a basis for assessing how many of these mechanisms are in use in DFIs across the Continent.

2.1. Development Finance Institutions

2.1.1. The mandate

Rao (2003) explains the need for the development of the discipline of Development Finance and advises that it must be understood to be separate from the disciplines of development economics and finance. Rather, it is the integration of the two into one. Locating the argument for market failure Rao says, “Perfect capital markets, even if they do exist, do not lead to efficient economic development processes in the absence of institutional interventions.” In outlining this conclusion, he presents the case for institutional intervention through the creation of DFIs which would support both development and economic outcomes to encourage growth (Rao, 2003).

For two centuries, Europe had understood the ethos of growing economies through directed interventions which delivered equitable outcomes. Lazzarini, Musacchio, Bandeira-de-Mello, and Marcon (2011) trend back to France’s 19th-century industrial evolution for the beginnings of DFIs. The creation of *Sociéte Général pour Favoriser l'Industrie Nationale* in the Netherlands in 1822 formed the European Infrastructure investment entity, established to stimulate growth in a lacklustre Europe. The characteristics of which were typically developmental in nature, in that they provided long-term financing for the region’s needs. Francesca Guadagno (2016), further supports the view that Europeans have long practised the interventionist approach, stating “[In Britain]…Development Finance Institutions have existed since the Industrial revolution when [they were formed by European countries]…to support their domestic industries (Guadagno, 2016). Further to that, the end of WWII compelled a global scale effort to increase investments for rebuilding. To this effort, the role of DFIs became even more central, not only to support economic growth but also to ensure that development outcomes (changes in social, cultural and economic circumstances) were achieved.

According to Yaron (2004), DFIs were considered imperative to finance economically warranted operations that were not financially attractive to for-profit financial institutions.

They were there to increase the attractiveness of the market. Yaron goes further and embeds the development ethos stating that DFIs are financial intermediaries that aim to improve social welfare by lending to priority sectors or target clients. So, within this interpretation, the role of DFIs to embed development is enshrined as part of their mandate. This core mandate is evident even in today's DFIs as is evidenced by the attempt to define the core features of Public Development Banks for Europe in 2017 (Romero, Marois, & Griffiths, 2017).

Table 1: Core features of a Model Public Development Bank (PDB) (Romero et al., 2017).

Core features and components	Explanation
MANDATE AND ROLE	
1. Strong development mandate	The mandate of the PDB is to deliver sustainable development outcomes, avoiding vague or dual mandates.
2. Targeting finance where	The PDB targets regions, sectors or clients that are most in need, or that have the highest development pay out.

2.2.2. Market placement

By their nature, therefore, DFIs occupy an intermediary space between public aid and private investment (Dickinson, 2015). They are institutions that support profitability, simultaneously promoting development. Distinct from aid agencies through their focus on profitable investment and operations, their discipline lies in bridging the gap between commercial investment and state development aid (Dickinson, 2015). They facilitate and increase market participation (by signalling and de-risking for new entrants). When used strategically, DFIs have the advantage of first-mover status and could influence the creation of viable markets. This market position allows them to use their role to foster equality in delivery and to support development outcomes. It is this discipline of first-mover status that makes DFIs unique in their approach to development as they create economic benefits designed to deliver equitable outcomes.

The developmental agenda of DFIs, in addition to being in their mandate, is embedded in their triple-bottom-line approach to investments. Whilst potentially a contradiction in terms, it is an expressed and enforced contradiction of balancing returns and development. Their ultimate financial returns are measured against their contribution and ability to make meaningful change through intermediation. This change is seen as social change, environmental change and economic change. Clunies-Ross and Langmore (2008) state that the role of DFIs is clear; to balance the need to facilitate faster growth in the economies whilst attending to the shorter-term basic material-welfare needs of the poor. DFIs are therefore lenders within whom investors place their trust. They are trusted with the welfare of people.

2.2.3. The trusted entity

The financial sector crisis of 2008 heightened societies' understanding of the role of Banks. The outcome was the generally held view that the financial services sector had to be held more accountable for its behaviour and its impact on society. "[The]..subprime crisis has set in motion fundamental societal changes – changes that affect our consumer habits, our values, our relatedness to each other […] the social fabric is indeed at risk and should be central to our attention as we respond to the subprime crisis." (Shiller, 2008, p. 9). The article recognised that the time had come for a fundamental change in how the sector understood financing and its relationship to society. The integrity of DFIs and their ability to engender trust, therefore, is an important consideration when examining their renewed roles.

In his study on state intervention in the banking system, Gerschenkron (1962) argues that the matter of trust within banking is a general issue between creditor and debtors. Where trust is weak, banks pull back lending, thereby leaving value-enhancing projects unfunded. This is where development takes a back seat, and under these circumstances, DFIs have a further role in that they become 'lenders of last resort,' to "intervene to support market failures … where such failures inhibit growth." (Bruck, 2012). Lazzarini (2011) brings it all together in saying that this duty of trust and integrity is the basis upon which DFIs' long-term relationships are built (Lazzarini, G et al., 2011). Given the scale of the development outcomes being addressed, the mistrust of financial services and the position of DFIs remains relevant in today's economic environment. Indeed, even large developed economies such as the United States continue to find a role for DFIs on their agendas to give effect to development through partnerships. "The... [US]..federal budget of 2011 included a US$ 4 billion package to build a development bank supporting large infrastructure projects." (Lazzarini, G et al., 2011).

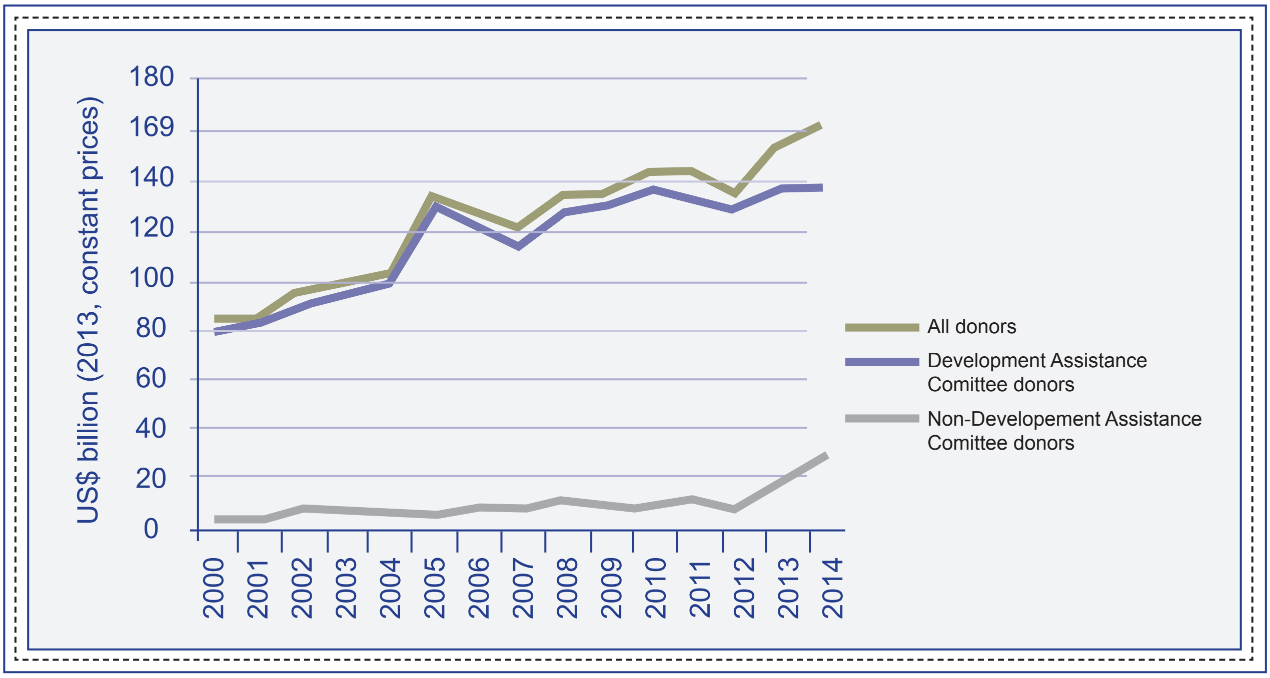
2.3. Development Finance initiatives, partnerships and capital

2.3.1. Overseas development aid

The third international conference on Financing for Development (United Nations, 2015) detailed the financing needs required to meet Sustainable Development Goals (SDGs). It was concluded that the scale of the agenda was such that private sector capital had to play a much larger and deliberate role in delivering upon the SDG commitments. The scale of the needs could not be met by governments using public sector financing sources alone; partnerships therefore were required to advance development at any recognisable pace.

In the 20 years preceding World War II, Overseas Development Aid (ODA) was the primary source of development capital. This capital was used to finance growth, to support emerging economies, and to bolster public coffers in support of development. "In 1970, it accounted for roughly 48% of total net capital flows, including grants, to all developing countries." (Ketkar & Ratha, 2009). "Since 2000, net ODA has decreased by 83% in real terms." (OECD, 2016). **Table 2** details the trends in net ODA reduction over time:

Table 2: Trends in Net ODA, 2000-2014



Development initiatives based on Development Assistance Committee data. (United Nations, 2016)

It is estimated that full delivery of the SDG commitments will require an estimated $4 trillion per annum in funding over the next 15 years (Systems, Working, & Framework, 2015) .The development funding gap (the difference between available public funds and the required financing) is estimated to be between $2-3 trillion per year (Schmidt-traub & Sachs, 2015).

This gap, compounded by the reduction in ODA, has necessitated a fundamental rethink on the available financing mechanisms to bolster capital provision for development. It is against this backdrop of changing economic circumstances, slow markets and increased civic responsibility that private sector participation has become part of the narrative on development.

2.3.2. Private sector and Development Finance Initiatives

Private enterprise growth has long been part of the economic logic for growth. DFIs have measured their effective contribution to economic growth by the extent of their provision of finance to increase private sector participation. The relationship between the growth of economies, the importance of facilitating enterprise growth, the catalytic employment creation role and revenue contribution of enterprises is not under dispute. This economic growth imperative has always been considered part of the development agenda.

In 2010, investments to the private sector financed from international financing institutions such as DFIs exceeded $40 billion. Fifty per cent of this was finance provided to the financial services sector in the wake of the financial crisis. This value was a two-fold uptake on previous periods. By 2015, the amount was expected to exceed $100 billion – a third of external public finance – to developing countries (Kwakkenbos, 2012). This has meant a significant increase in financing to private sector entities, all with assumed development outcomes achieved through increased economic growth.

It can thus be argued that development objectives achieved through stimulating private enterprise are not foreign. However, the role-reversal of substituting public sector role players for private enterprise is, and the concept of using market principles to drive development outcomes is. Furthermore, the concept of asking the private sector to delay gratification in the broader interests of society is, in itself, a principle shift.

2.3.3. Private sector and development

This deliberate inclusion of private enterprise in the development agenda comes with some obvious pitfalls such as risks associated with an unreasonable focus on financial returns to the exclusion of real development outcomes, the risk of misaligned private sector interests in redefining government's role, and its policies and economic perspectives. These risks must be mitigated and managed. Professor Ronel Rensburg in her report on state capture in current day South Africa (Van Rensbug, 2017) (2017), defines state capture as "the efforts of a small number of firms … to shape the rules of the game to their advantage through illicit, non-transparent provision of private gains to public officials." (Hellman, Jones, & Kaufmann, 2000), which normalises corporate and state intimacy.

(Eurodad for OXFAM, 2017) highlights the same pitfalls and starts the argument with the view that this is zero-sum game. There are limited resources available, the development needs are ever-increasing, there are opportunity costs associated with finance, which may mean that more money towards private sector projects is likely to mean less money available for other uses of ODA (for example financing public services).

Eurodad (2017) however, cautions that the blending of finance between private and public is not likely to be suitable for poorer countries. In their view, given the risk-return imperative, it may incentivise aid being redirected to middle-income countries with attractive investment climates and further may crowd out. "There is a risk that, when…this]…relies on external private finance, this form of partnership may crowd out the domestic financial sector in the host country (Eurodad for OXFAM, 2017).

There is however a developmental view on domestic participation and its impact on 'crowding out'. If market failure is to be corrected, and this failure is directly related to transaction cost, then the impact of active participation may lead in the first instance to crowding out. Crowding out in so far as the focus upon deliberately bringing down costs to facilitate entry. Developmentally, this would be an objective justified and the process well understood.

Whilst there is reason for increasing private sector participation, there is a need to be specific about the expected role required from partners to ensure that the correct development results are achieved. If partnerships are the future of the development finance equation, the alignment of common interests and purpose will be a success factor against which one must measure the benefit. Private corporations are relatively new to the development sector and could learn lessons on managing outcomes and alignment from older development pioneers such as civil society organisations, foundations, and faith-based organisations. These all form part of the broader network of alternative development activists and agents. This category of development associates has been instrumental in evolving thinking on the beneficiation of development and aligning development outcomes with finance. "Many scholars, development NGOs, and faith-based, professional and social-democratic and liberal organizations from developed countries have been advocates of innovative methods of financing for a decade or more" (Clunies-Ross & Langmore, 2008).

As non-profit entities, their mandates, and by implication their common interests, are better integrated to create greater development outcomes. The ability of DFIs to leverage these relationships, and how best they have addressed remains to be seen. As all these partnerships develop, it stands to reason that DFIs should be looking to strengthen the broader ecosystem (both the new and old) to give effect to social, economic development outcomes – the full spectrum.

2.4. Development Finance initiatives and social outcomes

The literature review confirms the broad-based nature of development: "Development concerns not only man's material needs but also the improvement of the social condition of his life. Development is, therefore, not only economic growth, but growth plus change – social, cultural and institutional as well as economic." (United Nations, 2016). The responsibility of DFIs is to ensure sustained and equitable development outcomes in the implementation of solutions.

Because of their amorphous nature, social outcomes in development have been the hardest to evaluate and assess with regard to monetary benefit. Yet social development is the most impactful in beneficiation allocations. In most countries, the provision of social safety nets is the responsibility of the state under the provision of public goods and its role in supporting those members of the state who are unable to care for themselves. Keynesian policy dictates that the state generally takes an interventionist approach to determine social development policy and ultimately social delivery. Given the cross-boundary support given to multilateral DFIs – Multilateral Development Banks (MDBs), they have had better success at integrating social and economic benefits through financing social programs. This support has been noted to increase across MDBs dramatically post 1985 (Lyne, Nielson, & Tierney, 2009). "The total dollars lent for social development (education, health, and safety nets) exceeded loans for the traditional sectors of energy, industry, mining, oil and gas, irrigation, transportation, and urban development combined." (Lyne, Nielson, & Tierney, 2009). An analysis on the sectoral lending profile of DFIs highlighted an increase in support to the 'non-traditional' sectors. Kapur makes a similar observation in his bi-centennial analysis of World Bank financing trends (Kapur, Lewis, & Webb, 1997).

Clearly, whilst the traditional areas of financing of DFIs have not changed, there has been an observable shift towards ensuring equity through increased diversification of the application of the finance. This includes a greater focus on the development benefits of social change. The recognition that development encompasses both social and economic perspectives moves away from the recognition of the economic benefit to the exclusion of Social. This strategic anchor is important in guiding DFI areas of focus. It suggests that DFIs own the realisation that achieving social outcomes is not the sole responsibility and domain of government. The co-dependency between the State's efforts to alleviate poverty, the proactive use of Development Finance instruments, and the efficiency of the government apparatus is clear. Without a clearly articulated role for co-dependent institutions, it is not unlikely that developing economies, in particular, will miss significant opportunities to leverage on limited available resources.

DFIs have been slow to realise the economic and sustainable potential that lies in supporting an increase in the social robustness in society. In other words, they have been slow to see the nexus between effective achievement of social indicators driven by economic indicators, and the potential for increasing equality. Increased social stability benefits society at large and provides input to building sustainable economic efforts.

Kapur et al. (1997) further observe that the thematic change in direction from an institution such as the World Bank provided a signal to the rest of the sector on Development potential. "[this change] echoed among the regional multilateral development banks (MDBs) [and]...signalled a wholesale change in the focus of multilateral development lending." (Kapur et al., 1997). Development benefits accrued in the presence of a healthy and balanced ecosystem with robust financing arrangements, provide a basis for better outcomes which can be leveraged in the system by choosing when, where and how to intervene and apply pressure to change outcomes.

Whilst financing social outcomes are not unique to DFIs, other financing institutions (such as Social Banks) have focused the provision of support for social benefits only. Social banking, though not uniformly defined, crosses disciplines between banking, microlending and group lending, as well as impactful outcomes. Benedikter (2011) discusses the concept of social banking as promoting economic sustainability, investing in community, providing opportunity for the disadvantaged, and supporting social, environmental, and ethical agendas. The common theme remains banking with a conscience and a move away from profit maximisation as the sole outcome. Weber and Remer redefine this as banking that aims to have an impact on people, and the environment (Weber & Remer, 2011).

The striking similarities between social banking and DFIs are not lost. Charity Bank in the UK, owned entirely by charitable organisations and trusts focusing on intermediating money to charities and social enterprises (Babcock, 2017), or La Nef Ethical finance, a cooperative Bank in France, focusing on providing credit to ethical and ecologically sustainable projects (La Nef, 1994), present an opportunity to examine the potential relationships between DFIs, social benefit, and finance for development. According to Benedikter (2011), social banks focus on achieving positive social, environmental and sustainability impact [and] bases all of its business and its operations on the achievement of the positive social outcomes (Benedikter, 2011).

In appreciating the need for a stronger development finance ecosystem, there is little available evidence that as a collective, DFIs have sought to engage with entities such as Social Banks to bolster their development approach. Given the scale of the challenges, collaboration, partnership, shared risk-taking and collective capital sourcing could increase capital available to bolster development. This tripartite alliance between DFIs, civil society and the private sector to drive the increase of developmentally conscious businesses is, therefore, salient.

2.5. Private sector and social outcomes

If it is accepted that social outcomes are an important part of development beneficiation, the interaction between social outcomes and the private sector must be guided to that outcome. The idea of the private sector facilitating development is not new. It can be traced back to the old principles of socially conscious businesses. Social consciousness and responsibility, which compels action as individuals and as a collective, is rooted in religious principles from organisations such as the Religious Society of Friends (Quakers) to the Methodists. Its evolution is compelling in today's business culture and its predetermined behaviour has matured and is applied in major sectors to influence industrialists the world over. It has influenced them in their quest to run businesses in a meaningful way which requires more than only the profit imperative (such as the Cadburys brothers, in the UK). This discipline, and its practice, has developed into Socially Responsible Investing (SRI), a discipline which "screens out companies with perceived negative … practices." (OECD, 2015). SRI, socially conscious businesses and private philanthropy all form part of a broader group of related business models, which require a social outcome in line with their investment outcome.

This maturing of the understanding of the relationship between business and its society has evolved into today's focus on broad business principles which govern entities. These principles accept that business is located within society and that it bears a responsibility to that society. Supporting this view, the Institute of Directors (IOD), uses Milton Friedman's epigram, "the social responsibility of business is to increase its profits", and states that this must now be interpreted recognising that an organisation is a part of society in its own right. "It can no longer be seen as existing in its own narrow universe (or 'society') of internal stakeholders, and the resources needed to create value – it also operates in and forms part of general society. In this view, the licensor of an organisation is not just those individuals and entities within its narrowly defined value chain, but society as a whole." (Institute of Directors South Africa, 2016). This responsibility fundamentally changes the role that business must envision for itself in relation to society, and presents an opportunity to align private sector interests with societies.

It aligns with the thinking on the achievement of the SDGs and on the ethos of 'shared value creation'. It is the "coming together of market potential, societal demands and policy action to create more companies which create value for the business and society." (Compact) et al., 2015). It is in this area that the private sector has begun to see an opportunity for investment and for returns whilst doing good. This area of alignment is referred to by the private sector as Impact Investing.

2.5.1. Impact investing

Social impact investing, which has emerged within the last 10 years, is derived from the efforts of socially conscious business principles and practices which started in the mid-1700s. "[it]... is the provision of finance to the organisation with the explicit expectation of a measurable social and financial return." (OECD, 2015). Alternatively put, " Impact investments are those that intentionally target specific social objectives along with financial return and measure the achievement of both." (Social Impact Investment Taskforce, 2014). "Impact investments are investments made into organisations and funds with the intention to generate social and environmental impact alongside financial return." (Mudaliar, Moynihans, Bass, Roberts, & DeMarsh, 2016). All these definitions follow a similar narrative, financing arrangement, and measurement criteria similar to Social Banking, DFIs and their outcomes.

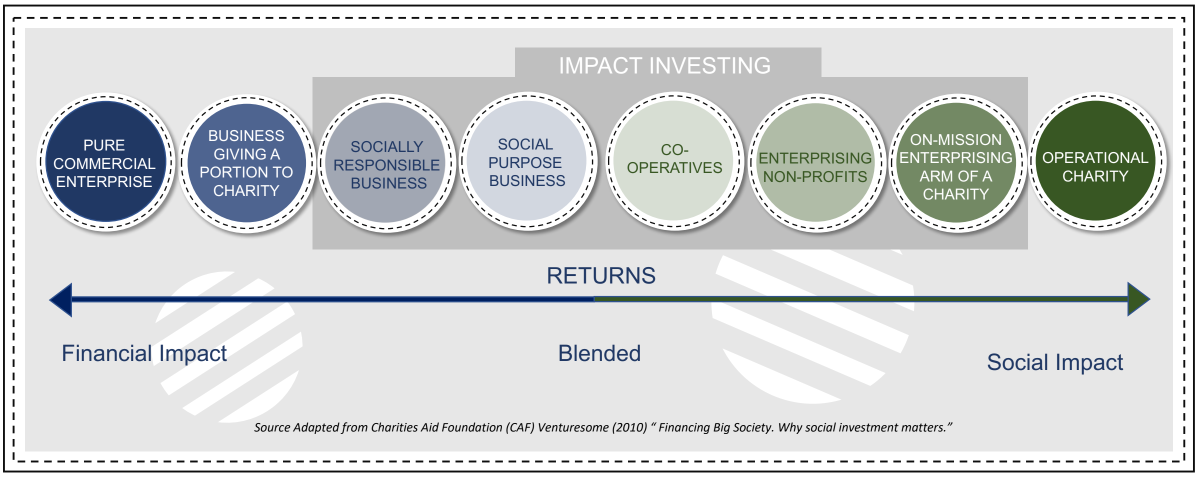


Figure 1: Impact Investment Continuum (CAF Venturesome, 2010)

Again, observing the overlap between the intended outcomes of impact investing and DFIs, and the continuum along which development investments are made **(Figure 1),** the question is whether DFIs have capitalised on these alliances to create more ecosystem participants.

If it is true that impact investment is about facilitating development outcomes, and DFIs have a role to play in sourcing alternative forms of finance, the question would then be whether or not DFIs are de facto Impact Investors. Garmendia and Olszewski (2014) observe that whilst the alignment may be philosophically obvious, DFIs themselves have been somewhat confused by their expected role. In their view, they have been ambiguous in how to align the investments made into an applied philosophy (Garmendia & Olszewski, 2014).

Some, however, have made a concerted effort to distil their work further and apply the principles to segmenting their business, and Inter-American Development Bank starts to do this **(Figure 2).**

They further recognise the need for an ecosystem approach to development stating, "For impact investments to succeed, [one] cannot rely exclusively on indiscriminate market forces … the ecosystem … represents a broad variety of financial institutions, private research and consulting organizations, and investors, each with distinct functions, investment mandates, funding sources, liquidity requirements, time horizons, and liability structures." (Roose & Bishnoi, 2012) cited in (Garmendia & Olszewski, 2014).

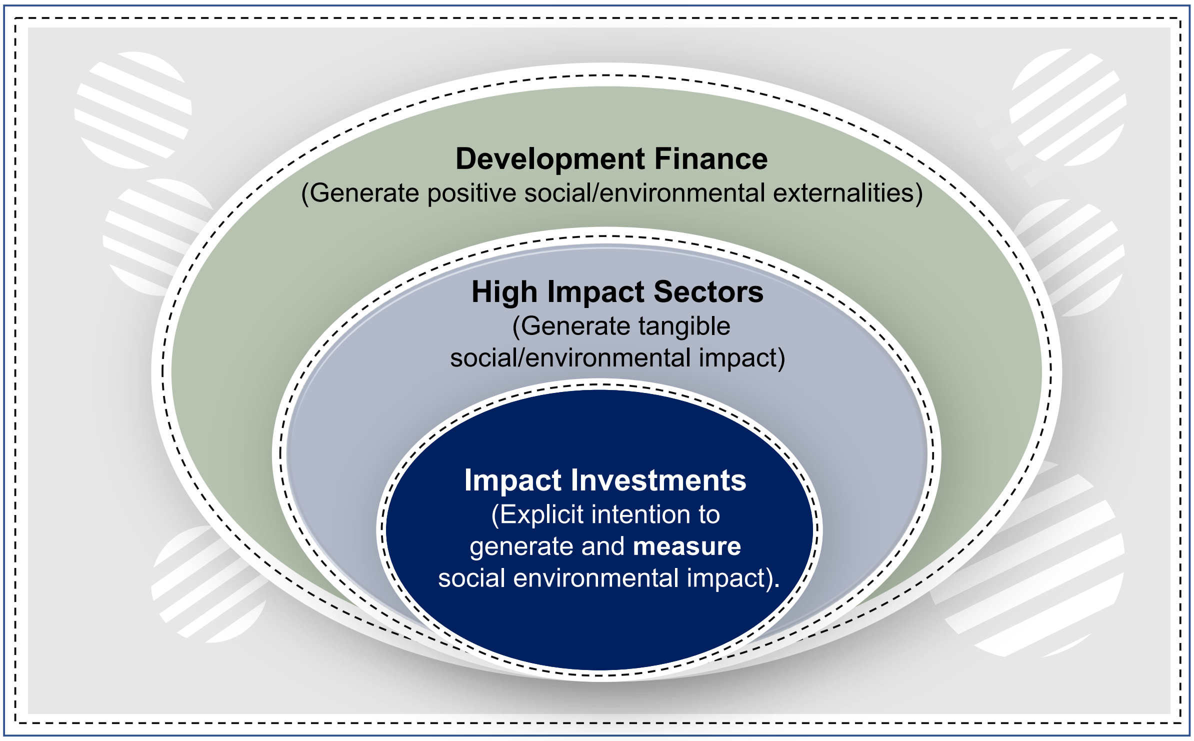


Figure 2: Impact Investing within the Inter-American Development Bank group (cited from (Garmendia & Olszewski, 2014)

In Southern Africa, it appears that DFIs have started to evolve their thinking and have made progress by increasing the proportion of their financing arrangements which use Impact Investing partners. Mudaliar et al. (2016) state that DFIs are a major driver of impact capital committed to Southern Africa via impact funds. Not only have they provided capital directly to impact funds, but they also often provide anchor investments that allow fund managers to raise the balance of their funds from other sources. Mudaliar goes further to say that DFIs have provided the vast majority of impact capital to date, accounting for more than 75% of disbursements. Garmendia and Olszewski (2014) support this observation when they agree that DFIs provide catalytic capital in markets where private sector investment is weak, drawing on comprehensive institutional knowledge and strong relationships in traditionally underserved markets. Impact investment and its benefits therefore is well-used and well-understood by DFIs. The question then is, given the work undertaken thus far, is there opportunity to use this platform to scale up interventions? Is there opportunity to reform Impact Investing capital use, and align to the collaborative efforts of the ecosystem development?

The framework being proposed as an outcome of this research must attempt to answer how best the collaboration between the Impact Investment fraternity and DFIs should function in order to provide impetus to development imperatives.

The coordination of institutions, their capital and its deployment present an opportunity to re-examine the capital structure of projects and the terms under which these are provided. More capital provides increased access to development. The alignment of capital providers' interests, and the location of their exit points and the development of instruments that align these is a skill which DFIs should be able to use. This is Innovative Finance.

2.6. Innovative Finance

If we agree that the end game is to find effective ways of financing development, then the ultimate role of DFIs must be to find ways to challenge itself to rethink the provision of finance. It must be to find ways of making financing more effective and to find ways to achieve more with the available funds. Innovative Finance as a tool, a discipline and as a philosophy therefore forms the last piece of the puzzle in the evolving development financing landscape.

2.6.1. Capital for development

At its original inception, Innovative Finance was described as "public finance that is raised in new, non-traditional ways." (European Commission, 2010). The commission goes on to describe its core categories as:

- New instruments for raising revenues;
- New approaches to already existing fiscal instruments;
- Levies on the financial sector (e.g. leverage and risk-taking, transactions, bonus payments, profit surcharges, pricing of carbon emissions, such as carbon taxes, auctioning emission allowances);
- Debt-based instruments (e.g. international finance facility, targeted bond issues); and
- Private finance leveraged through public incentives (e.g. advance market commitments, tax discounts, public-private partnerships, market-based insurance schemes).

This all-encompassing approach of financing has led to significantly increased levels of investments. According to Commons Consultants (2015), in particular, in Europe, European aid agencies have collectively invested more than EUR 10 billion … in more than 100 innovative blending funds.

The World Bank however describes Innovative Finance in a far more holistic way as "the specific structuring of a financing solution to address a development problem." (World Bank Open Learning Centre, 2016). This definition brings together all forms of financing and differentiates only by application. In other words, it is the outcome that is important, to solve a development problem. Thinking of it another way, Innovative Finance is a way of "promoting market-based solutions by attracting new forms of capital to support welfare and... [development]...issues. It is a new way of thinking about finance whose returns directly depend on the contribution made to society." (Schinckus, 2015). These financing structures are unique in their focus only to solve for development outcomes. They are designed to support resolution of development challenges. As a methodology of financing, they deliberately stay away from providing finance solely for increasing economic benefits. Typical in development financing is a focus on prioritised sectors through which development is inferred. This approach has been used to finance prominent sectors such as Infrastructure, Energy and Agriculture. The Innovative Finance ethos, however, does not advocate that approach.

2.6.2. Measurement as a form of exchange

As a second identifier, IF structures are differentiated by having at their anchor a robust mechanism of assessing progress and achievement. This mechanism of assessing outcomes and results-based financing translates into a legitimate form of exchange. The better one is able to define, measure and commit to an outcome, the more able one would be to develop an instrument and raise capital to support that outcome.

In the UK, the origin of these instruments dates back to the introduction of payment-by-result mechanisms in welfare policies by the Labour government in 2009 (Sinclair, McHugh, Huckfield, Roy, & Donaldson, 2014). The need to reduce welfare costs was as a direct result of the austerity measures put into place to support an ailing financial services sector. This focus upon outcomes and focus upon payment only when basic needs were met, created an ideal context within which results-based financing was positively received (Sinclair et al., 2014).In using this approach, these financing structures reflect similar characteristics to the principles of derivatives. Their value is linked to underlying development assets (benefit) which is assumed holds value once resolved.

2.6.3. Creating new money

The World Bank goes on to define Innovative Finance as any financing approach that helps to "generate additional development funds by tapping new funding sources (looking beyond conventional mechanisms) by engaging new partners (such as emerging donors and actors in the private sector). Further, they expand its applicability, outlining that it is "any financing approach that enhances the efficiency of financial flows by reducing delivery time and/or costs, especially for emergency needs and in crisis situations. Finally, the World Bank defines it as any financing approach that makes financial flows more results-oriented, by explicitly linking funding flows to measurable performance on the ground.

Like the European Commission, the World Bank presents three different measures and criteria by which financing can then be 'Innovative', namely new money, linked to results and Shared Risk Models.

2.6.3.1. New money

New Money is money that can be sourced into the system and pooled to fund development. These initiatives are associated with new, or newly re-cast, financial instruments. For example, the International Finance Facility for Immunization, the Airline Solidarity Contribution (ASC, or simply, 'the airline tax'), and the Advanced Market Commitment (AMC).

2.6.3.2. Linked to results

This is a financing arrangement which is paid only upon delivery of actual outcomes. It uses forms such as Social Impact Bonds and Environmental Bonds to align funding, but all are modelled on the premise of payment post certain delivery. In structure, these models are close to the traditional Public-Private Partnerships (PPP) model which fund effective social services through performance-based contracting (Dear et al., 2016).

2.6.3.3. Shared Risk Models

The innovation of financing in all these maturing approaches is underpinned by an approach of shared risk. Solving developmental issues, whilst driving social outcomes and applying a philosophy of shared risk for all participants.

Table 3 provides examples of Innovative Finance mechanisms that have already been used to give effect to development. This list is not exhaustive but indicates the types of financing arrangements currently available for DFIs to consider, or to work with and enhance. In form, Innovative Finance is used with other mechanisms such as Blended Finance to facilitate its ultimate achievement. The Organisation for Economic Co-operation and Development (2016) defines Blended Finance as the mixing of public funds, with private funds in order to facilitate higher rates of participation. It offers huge largely untapped potential for public-philanthropic and private actors to work together to dramatically improve the scale of investment in developing countries (OECD, 2016). The Blended Finance approach offers an effective tool to enable investment and given its form, should be pervasive when effecting development.

Table 3: Innovative Financing Instruments (Ferranti, Escobar, Griffin, Glassman, & Lagomarsino, 2008)

Innovative Financing Table		
• Advance market or purchase commitments • Private equity investing with enhancements • Targeted exclusions from patent rights • Tax relief for donating key medicines • Tripartite venture capital firms • Market interventions for key medicines • Microfinance (and tiers of sup- port to it) • Debt buy-downs (e.g., as in the polio campaign) • Micro-enterprise development • Results-based sequences of loans/grants • Blended value investing • Infrastructure guarantee facility • Electronic-billing-based fundraising • Risk insurance for natural disasters • Performance-based aid • Product development partner- ships (e.g., MVI, IAVI, MMV, Aeras) • Global health partnership institutions (e.g., GAVI, GF, UNITAID) • Franchising of primary health care or pharmacies • Public guarantees • IMFs exogenous shocks facility (ESF) • Social investment partnerships • Reductions in demand for needed care due to high costs	• Concessions • Incentives for continuous product improvement • IP-backed securities • Portfolio investment vehicle for neglected diseases • Prizes for scientific advances • Innovative purchasing (e.g.PAHO revolving fund) • Global pooled procurement • Global supplier subsidies (e.g., ACT) • Priority review vouchers • Voluntary contribution via credit cards • Cause-related marketing of products (e.g., RED) • Concessional lending by foundations • Aggressive use of foundation endowments • Socially responsible investing (ethical funds) • Global lottery • Global premium savings bond • Bilateral aid for stabilization • SWAps • Risk-mitigation for private investment	• Program-related investment of foundation endowments • Blended capital funds • International drug price negotiations (e.g., CHAI) • IDA buy-downs • Incubator for companies focused on neglected disease • Investment fund for technology transfer • Results-based contracting • Extension of employer health financing to broader populations • Scaling-up franchise model • Voucher programs • Social marketing • Conditional cash transfers • Bond issues for frontloaded pro- grams • Performance-based grants • Aid-smoothing fund • Binding long-term donor commitments • Interest rate buy-down • Cost-sharing for clinical trials • Scientific risk insurance

2.7. Conclusion

Given the evolution of the development and the need for capital, Development Finance is an area which is poised for change. The mandate has not changed, but the tools required and the need to re-examine the outcomes has. Partnerships are the answer to creating a sustainable development ecosystem and aligning partners with outcomes and appetite. Development Finance institutions should be looking to significantly enhance their role and to lead in developing these models and aligning capital with outcomes as a core skill.

This research asks how well DFIs have identified and adopted these instruments to solve development challenges. It looks at DFIs across the Continent and how they have embraced the changes, and seeks to propose a mechanism which can be used to increase the number of DFIs that embrace these alternative financing forms.

CHAPTER 3

RESEARCH METHODOLOGY

"The research approach must build a bottom up understanding of the environment and its nuances. This approach will use Grounded Theory with secondary data and will end with a proposed model being built." – Loyiso Ndlovu

3. Introduction

Leedy and Ormond (2013) highlight that research is a process of collecting analysing and interpreting information in order to enhance understanding. The research question asks how DFIs on the Continent have responded to changes in their environment and as such, the research process must enable the outcomes to show what has been done, to uncover what still needs to be done and to propose what should be done.

It is claimed that "...Development Banks (..DBs) are enjoying a resurgence." (Romero et al., 2017). The financial crisis has focused the spotlight on the financial services sector and its misdeeds. This has provided a reason to examine alternative ways of banking whilst achieving growth. The operating environment within which DFIs operate is in a flux, and within a flux lies opportunity for recreation. (Romero et al., 2017). cites that in recent years, several countries have established new national and multilateral PDBs...[Development Banks]…and at the global level they have been recognised for the role they play in the United Nations Financing for Development process (Romero et al., 2017).

The United Nations further supports this and makes a case for more uses of IF, stating, "The time has come to build upon the wealth of experience of existing innovative financing mechanisms and to expand their role in the global aid architecture in general and their developmental impact on the ground" (United Nations Secretary General, 2009). With this statement, the UN creates a different operating environment in the private sector, and brings together the new financing instruments to deliver change. This locates the basis for this research approach and influences the methodology choice and research design to be followed.

3.1. Research approach and strategy

Given the nature of the research outcome required, the research design called for an interactive process to uncover facts. The function of research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible (Kirshenblatt-Gimblett, 2006). Maxwell (2013) proposes a targeted approach which enriches the research experience through interaction and ultimately builds the outcome.

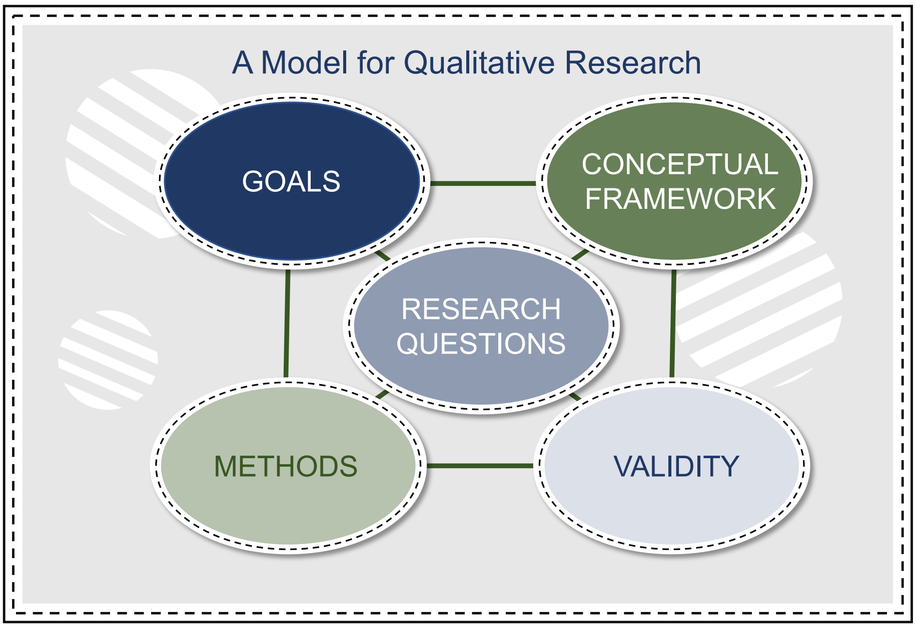


Figure 3: An Interactive Model for Research Design (Maxwell, 2013)

This is done by influencing the quality of interactions and capitalising upon the interconnected nature of the data.

In addition to the areas of goals, conceptual framework, research question, methods and validity, the research philosophy was addressed as part of the conceptual approach.

The model design encapsulated:

- Goals;
- Conceptual framework and Philosophy;
- Research questions;
- Methods; and
- Validity.

3.1.1. Research goals

To locate this particular research, the problem statements were framed by seeking to understand the gaps within the literature and industry. (Alan & Emma, 2015) indicate that research problems become research questions, and the design process allows the researcher to frame his thinking on data and analysis. (Alan & Emma, 2015) further point out that the research design provides a framework for a descriptive analysis.

Research goal

To create a financing principles framework that DFIs can use to increase their development impact by proactively participating in projects considering Innovative Finance tools and increasing private sector partners. This framework will look at the experiences of DFIs globally and review them for appropriate and aligned use across the Continent.

3.1.2. Conceptual frame and philosophy

The Innovative Finance (IF) field has evolved significantly over the past 15 years from the Monterrey consensus discussions on the Millennium Development Goals (MDGs) to the latest discussions on Sustainable Development Goals (SDGs) in Addis Ababa (United Nations Secretary General, 2009). The literature review discussed the role of DFIs and posed questions about new participants in the field of development, how this would impact DFIs, their sources of capital and partnerships.

IF is a new and evolving area with very little in the way of published literature. The literature review evidenced well-researched academic frames such as market failure with models which can be tested but the balance evolved from business research and focus. This should be understood as an indication of the IF discipline and its evolutionary nature. The maturity of the area has affected the research design and was a significant consideration in making a choice on approaches to data collection, data synthesis and literature integration. By implication, the research design required that the process allows the evolution of an answer.

3.1.2.1. Philosophy

Qualitative research requires all who partake in it to take a view on their understanding of the world. The process of knowledge acquisition is important as it facilitates the researcher's recognition of personal filters and how this may impact the researcher's work.

The research philosophy allows for the researcher to determine the approach to work. It frames the interaction with the material and places on record how such interactions may or may not influence the ultimate research outcomes. Given that the research undertaken relates to the interpretation of organisational choices and examined interaction, this lent itself to a qualitative inquiry.

The nature of this research warranted that an epistemological view be taken on the literature and the interaction and approach to it. In other words, researchers do not exist in a vacuum of knowledge. Their knowledge is acquired through exposure, through beliefs, and through reinforcement, and this has affected the researcher's interaction with data, literature and interpretation. Toren and De Pina-Cabral (2009) describe epistemology in their article related to ethnographic research, as 'what it is to know' (epistemology) and 'what exists' (ontology). Whilst recognising these as separate disciplines, they make an argument for their interdependency which recognises the knowledge interaction between them, and the interaction with self (Toren & de Pina-Cabral, 2009). Toren (2009) aligns to this researcher's view on how an individual interacts with the world around him.

The epistemology of this research was premised on a post-positivism approach that acknowledges the relationship between knowledge, perspectives and their filters. This view also influenced the choice in research methodology, the most appropriate tool data collection, and the chosen method for analysis. The ontology therefore was premised in an interpretative paradigm given the research approach.

3.1.3. Research method, data collection and analysis

3.1.3.1. Qualitative approach

The research framework, whilst qualitative, is located in a quantitative environment, namely Banking. The interpretative nature of the study allows for flexibility in merging evidence, observation, and form. Qualitative research is well-suited to detailed synthesis and interpretation with information that is not static nor expected. The thinking process allows the researcher, an opportunity to make sense of the observations as a process of delayering. "Qualitative research can help define what is important. " (Leedy & Ormrod, 2013). Research that is inductive, or research in which the outcome is determined as the data presents itself, can be considered to be designed to tell the researcher how (process) and why (meaning) things happen the way they do (Blumberg, Boris, Cooper, Donald, Schinlder, 2011). Maxwell (2013) frames this understanding well in stating that qualitative research is inductive in its approach to design and this inductive strategy means that the research itself is constantly changing in response to new information or changing circumstances (Maxwell, 2013).

Qualitative research therefore serves well the following areas:

- Where descriptive inquiry is required;
- Where interpretation of data is required;
- Where verification forms the basis of inquiry; and
- Where evaluation of data is required (Peshkin, 1993).

The quest to redefine the role of DFIs and evolve the integration of Innovative Finance needs the development of a common 'language', a common understanding of the matters at hand. Whilst this research aimed to gain new insight into how DFIs were engaged with Innovative finance, its ultimate goal was to provide a pragmatic tool that could be used to effectively increase development outcomes by leveraging partnerships for development. This was brought together by creating an engagement model for DFIs to assist in increasing external participation in the sector.

Frazer and Lacey (1993) state that even if one is a realist, at the ontological level, people's knowledge of the real world is inevitably interpretative rather than representative (Frazer & Lacey, 1993). The interpretative approach, whilst acknowledging limitations on constructivism, was the most effective way to understand better the evolving environment within which DFIs sit. The approach required that the data collection process would be flexible, iterative and that it had to allow for the truth to evolve from the research itself. This consultative process required a research approach of Grounded Theory Management.

How then does the epistemology related to Grounded Theory Management work given the fluidity of the approach? Charmaz (2006), a leading thinker on Grounded Theory Management, describes (in the 4th movement of Grounded Theory) the role of the researchers, how they filter their thoughts as part and parcel of the Grounded Theory process. It is not a separate approach. She holds that all Grounded Theory research is based upon the researcher's engagement with the matter (Charmaz, 2006). Grounded Theory is consultative, as it supports the researcher's post-positivist paradigm and aligns to an emergent process.

3.1.3.2. Grounded Theory: An approach with flexibility

Grounded Theory is a method of social scientific theory construction (Charmaz, 2011). "[it]..builds on the fluid, interactive and emergent research process .., but seeks to recognize particular knowledge and multiple perspectives." (Bryant & Charmaz, 2010). In its nature…[it]…is designed to be systematic whilst structured and flexible enough to allow for a comparative approach and aligned enough to encourage induced outcomes. This allows for robust building of bottom-up theory. Charmaz (2011), whilst examining the use of grounded research on social justice inquiry, states that the Grounded Theory method consists of flexible analytical guidelines that enable researchers to focus their data collection and to build middle-range theories.

Figure 4: Grounded Theory Development process (Creswell, 2007)

The guidelines followed in developing a theory emphasise studying processes in the field setting, engaging simultaneous data collection and analysis, adopting comparative methods and checking and elaborating categories **(Figure 4)** (Charmaz, 2011); (Creswell, 2007).

According to Charmaz (2011), the tenets of the Grounded Theory include:

(1) Minimising preconceived ideas about the research problem and the data,

(2) Using simultaneous data collection and analysis to inform each other,

(3) Remaining open to varied explanations and/or understandings of the data, and

(4) Focusing data analysis to construct middle-range theories.

Charmaz adds that the method itself is emergent (Charmaz, 2011).

(Creswell, 2007), describes the interactive nature of Grounded Theory as a critical part of its development process and its ultimate value in theory. "The development of a theory...help[s] to explain...[a]…practice or provide a framework for further research" (Creswell, 2007). Strauss and Corbin (1998) further support this, distinguishing this from other methods as one which allows freedom to develop concepts and not constrain thinking. The key concept is that theory development is not 'off the shelf', but is generated or 'grounded' in the data from participants who have experienced the process (Strauss & Corbin, 1998).

Given the role of partnerships in the research outcome, the intention to develop a framework, or model, the building of the framework from the data, GMT provides the correct academic frame to guide the analysis of DFIs.

3.1.3.3. Data collection

It is a common cause that during the development of the literature review the researcher noted that there existed very little academically published literature on DFIs and Innovative Finance as a research area. As a result, significant portions of the research and the data repositories reside with business practitioners, industry bodies and corporates. Whilst this bodes well for producing current and relevant work, it is also telling regarding the maturity of the industry and the related academic frames of thinking. The paucity of published literature meant that the analysis was based mostly upon secondary data sources and formal corporate publications based on in-house research. This was supported by a small submission of primary data which was used to provide nuance to the larger categories of information from secondary sources.

3.1.3.3.1. Grounded Theory and secondary data

Given the philosophy of Grounded Theory methods on a bottom-up approach to inquiry and the need to interpret data, the quality and type of data is essential to this research approach. Grounded Theory considers data in all of its dimensions and as multi-faceted. It thus seeks observable behavioural attribution as validation of correct placement. It is the researcher's decision on interaction with the data that allows the data to live and find expression, conveying its messages.

The ability to let the data present an answer relies heavily on the researcher's interpretative and self-reflective capabilities. The ability to extract, synthesise and align thinking in an orderly but observant fashion as such. Thus, even though a large majority of this data is secondary, Grounded Theory methods would not ordinarily be suited to secondary data analysis forms. "Concerns have been voiced in relation to the use of secondary data,…some of which relate specifically to the application of Grounded Theory methods." (Whiteside, Mills, & McCalman, 2012). Whiteside et al. (2012) further clarify the possible weaknesses and limitations citing:

- The quality of data for secondary analysis may prove problematic in the assessment phase;
- Systemic weaknesses in original research are inherently passed on (Birks & Mills, 2011) (Alston & Bowles, 2012); (Alle & Babbie, 2007); and
- The fit of the data may not be adequate and tight enough.

This may impact philosophical perspectives and affect assessment reliability (Birks & Mills, 2011); (Whiteside et al., 2012).

Whiteside et al. (2012) believe that despite the potential advantages of secondary data, it is rarely used for Grounded Theory studies, largely due to a perception that researchers are unable to follow the guidelines of research design with data that they themselves have not collected. Birks et al. (2011) then caution on ensuring that a measured hand is used when using secondary data and that the researcher must be mindful that data saturation in its fullness may not be possible. Gaps may exist in the final theoretical construction (Birks & Mills, 2011) .

However, in a modern and rapidly changing academic environment, the researcher holds the view that the alignment between action research and academic research draws closer together. As academia seeks to maintain relevance and location, bounds of acceptability are challenged. How it is used, applied and analysed must always be seen within the context of pre-existing data sets (Birks & Mills, 2011); (Coen, 2010); (Joahn Goodwin, 2012).

Given the relatively new agenda of Innovate Finance and limited theoretical constructs, Grounded Theory was, in the researcher's view, the only approach flexible enough to unearth the material into a form which could be replicated and used.

3.1.3.3.2. Data sources

Data for this research was collected from the DFIs across the Continent and through other parties who had undertaken work with them. As of 2013, there were approximately 140 DFIs across the Continent, ranging in mandate from government-owned banks, development banks, insurance companies and guarantee funds. Their common denominator was a policy mandate to foster economic development in the jurisdictions in which they operate (Calice, 2013). As of 2016, there were 82 registered members of the Association of African DFIs (Association of African Development Finance Institutions, 2016). These members self-identify through the association as being DFIs, and it was this set of Development Finance Institutions that formed the sample set for this research.

The first major source of data was secondary data collected in June 2017 from the Association of African DFI membership survey. This was delivered to 82 full-time AADFI members asking them to share their understanding of Blended Finance (a form of Innovative Finance) as a philosophy and to identify related training needs **(Annexure A).**

The second data source was the outcomes from the AADFI CEO Conference held in Abuja in Nov 2017 with a total of 500 attendees. The theme, 'Strengthening African DFIs through Good Corporate Governance and Appropriate Regulations for Sustainable Development Financing in Africa', aligned to the broader question of Innovative Finance and its use in DFIs. The submission and speeches delivered during the course of the forum provided a detailed view on the opinions, future aspirations and requirements of DFIs in using alternative financing instruments to execute their roles.

3.1.3.4. Surveys

The final data-collection method was a limited self-developed survey **(Annexure B)** which was delivered to participants on a self-selection basis. This was the only method of primary data collection through this process and supplemented secondary methods to nuance outcomes.

As a method of collecting, surveys are considered to be one of the most effective ways of collating and analysing information. Surveys assess human behaviour and have the ability to predict the conditions under which such behaviour is changed or is influenced when assessing conditions for decision making. Surveys allow for the flexibility of interpretative intuition, based upon quantitative data gained through interaction. This complexity allows for a certain level of reliability in its core data. It also means that this research is subject to minimal mixed methods analysis through its use of survey data and qualitatively assessing opinions.

3.2. Data Analysis Framework

Since this research was a qualitative inquiry using Grounded Theory, the raw data was developed into intelligence. This was achieved through editing and applying a coding framework to elicit outcomes.

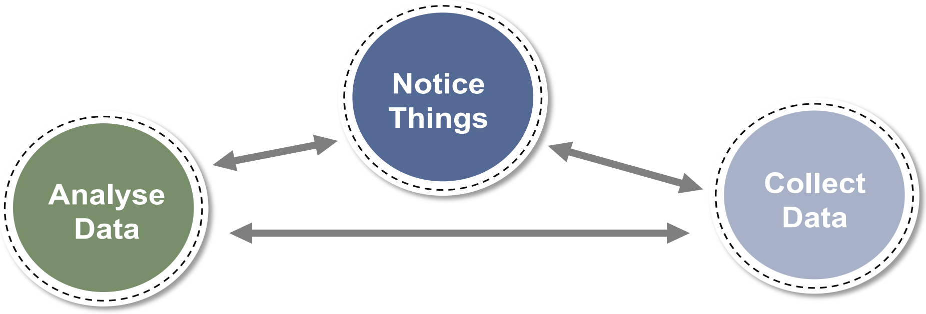


Figure 5: Conceptual Frame for Detailed Coding (Seidel, 1998)

Data analysis is the application of reasoning to understand the data that has been gathered (Zikmund, Babin, Carr, & Griffin, 2013). In analysing data, it is important to constantly integrate thinking in order to enrich data understanding and outcome. Seidel (1998) **(Figure 4)** suggests that this process should happen in three parts: noticing, collecting and analysing matters in a non-linear and recursive way to elicit the best outcomes.

In this way, the coding logic emerged and the analysis followed a more structured approach as advised by Strauss and Corbin (1990). This took into account the tenets of Charmaz's (2006) constructivism approach to support any additional institutional considerations which may have influenced the research (Charmaz, 2006, 2014) but allowed for evolution.

3.2.1. Coding

A code is a researcher-generated construct that symbolises and translates data (Vogt, Vogt, Gardner, & Haeffele, 2014). It is a process towards analysis and not the analysis itself. "Coding and analysis are not synonymous, though coding is a crucial aspect of analysis." (Basit, 2010). The coding process ensures meaning of the data through a continuous cycle of collecting, analysing and noticing.

Given the different formats of data collection platforms, from surveys to presentation, a mixed methods analysis process was followed that allowed for Grounded Theory methodology to still be applied within a developing a theory.

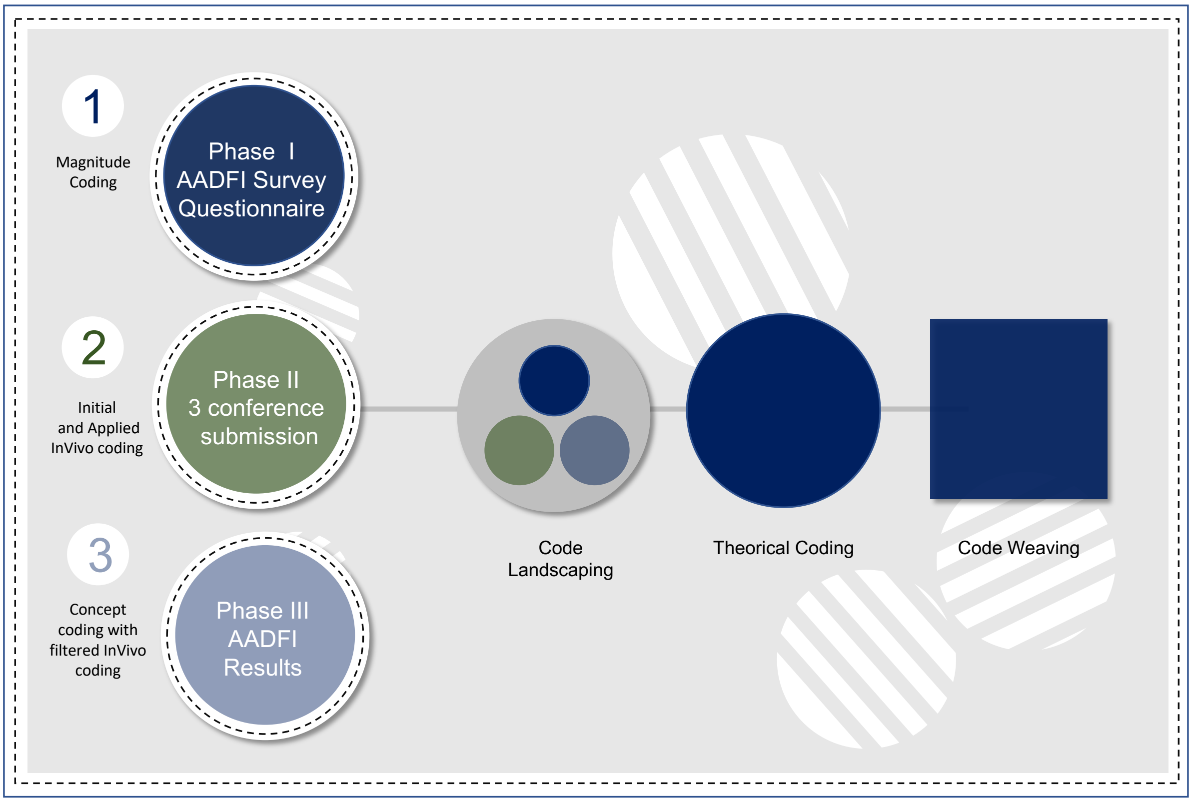


Figure 6: Proposed Coding Frame

The coding frame **(Figure 6)** was developed by recognising that the data had to be collected from three different sources of data (Phases I, II and II) and applied in three cycles of coding assessment and synthesis (first cycle coding, post first cycle mapping and second cycle coding). Using coding to evaluate data within Grounded Theory, had the effect of identifying categories, but did not predetermine an outcome. This evolved from the data.

3.2.1.1. First Cycle Coding

Phase I: Magnitude Coding and Concept Coding results

The first level of analysis used the quantitative results of the pre-set survey AADFI survey. Given the format of quantitative data in qualitative form, Magnitude Coding was applied to the data (a methodology of quantifying qualitative data by applying alphanumeric or symbols) (Saldana, 2016).

Phase II: Initial and applied In Vivo Coding

- The second data source, consisted of the following three source documents, presented at the AADFI conference which discussed and engaged upon Innovative and Blended Finance;
- Opening address (Economic Affairs & Commission, 2017);
- Keynote speech Innovative Finance (Okonkwo, Consultant, & Institutions, 2017); and
- Presentation on an Innovative Finance Instrument (Blended Finance) (Lorea, 2017).

Initial coding and Open coding was applied to the data set and In Vivo coding ("In that which is alive", a coding process suitable for analysis of language and nuances (Saldana, 2016)), was applied to the speeches and initial presentation.

Phase III: Concept Coding with filtered In Vivo Coding

The last phase of data collection applied In Vivo coding techniques to the narrative result of the survey. The narrative presented an opportunity to apply a mixed-methods assessment process to the data that was both quantitative and qualitative. The language, feelings and nuance factors of the survey were presented at this stage. Further, concept coding allowed for the lifting of large groups of themes to enable the extraction of key messages from the data.

3.2.1.2. Post First Cycle Mapping: Code Landscaping

The three-phase coding with three data sources necessitated the establishment of the emerging views and trends. A post first cycle mapping process through code landscaping was lifted to highlight emerging trends and these served as input for the themes in the second cycle.

3.2.1.3. Second Cycle Coding

(Morse, 1994) describes second cycle codes as being advanced ways of reorganising and analysing the data through the first cycle methods. Theoretical coding was applied to the data in order to refine and guide synthesis. "It allows the researcher to understand the central and core themes coming out of the data. What the researcher identified as the core themes." (Strauss & Corbin, 1998). "This allows not only for synthesis of categories, but for bringing together under one umbrella, key thoughts that may have emerged during the bottom-up engagement process." (Saldana, 2016). This supported the emergence of categories presenting themselves from the landscape assessment. As a final step, Code Weaving brought together all the narratives and the discipline of integration to develop a theory or narrative.

3.3. Validity

Lemon (2017), in her research on mindfulness in qualitative research, observes that in qualitative research, we strive for trustworthiness instead of reliability and validity (Lemon, 2017). Lemon supports this assertion by linking on other work undertaken by Lincoln and Guba

(1985), where, in their book providing guidance on the research process, they look at five areas which they believe 'establish trustworthiness', namely:

- Credibility (do findings upon reflection appear in the data as expected?)
- Transferability (would these also apply in another context other than those being reviewed?)
- Dependability (are these specific to or unique to a time and place. Is this consistent?)
- Confirmability (were these confirmed by others who participated?)
- Integrity (do these serve to confirm without bias or misinformation?) (Lincoln & Guba, 1985).

The findings for this research were assessed against the criteria above in order to confer trustworthiness.

Credibility and transferability: The validity of the findings in this survey, were recognised for what they are. The sample set was limited, and as such there may have been a strong autocorrelation between outcomes. With a population of 82 and a sample size of 15, confidence level was assessed as well as the sensitivity which could be attributed questionnaire outcomes. This may have compromised the independence of the data. The researcher managed this by expanding the data sources and delivering an additional survey independent of the Blended Finance survey.

Dependability: The data collection was undertaken across time spheres and through different events in order to not constrain the outcomes.

Confirmability: This was sought by aligning the secondary survey with the primary data collection findings. Further, verbal confirmation may be sought where it is warranted.

Integrity: The role of the researcher as a senior employee of a DFI may have introduced a perceived bias of inaccurate feedback. DFIs are strongly influenced by the economic imperatives of their locality. Any perceived judgement on the part of the researcher will impact upon how DFIs respond and may affect representation this was mitigated by undertaking the research in a collaborative manner with an established partner institution. Convergence Finance and AADFI lead the interaction and the researcher played a supporting role.

CHAPTER 4

RESULTS

4.1. Data collection results

In qualitative research, data collection is intended to be interpretative in its understanding of a particular phenomenon (Collis & Hussey, 2003). Research outcomes therefore rely upon layers of data that are collected in a structured, transparent, and methodological way. This data was treated (in this particular research, it was coded) in order to enable its construction into a meaningful form.

Bryant and Charmaz (2007) assert that in the Grounded Theory approach, this data treatment forms an essential part of the methodology and ultimately affects how data is categorised and interpreted to form the basis for a model. Therefore, the burden for richness and relevance is all the higher as it predetermines the preciseness of the fit of the outcome. They go on to say that the role of research data in generating theory can be readily accepted, and further that the merits of Grounded Theory as a method of theory generation flow from grounding categories in data (Bryant & Charmaz, 2007).

4.1.1. Survey results

As outlined in the methodology, for this research there was a limited expectation to collect substantive primary data. Instead, the methodological choice was to use secondary data sets as the largest sources, and primary data collection to enhance and accentuate findings.

Table 4: Survey I and Survey II Data collection and results

	Survey I AADFI /Convergence	Survey II Researcher Survey
Surveys sent	*(Annexure A)* 82	*(Annexure B)* 15
Response	*(Annexure D)* 15	1

A researcher-led process of primary data collection had been intended, and a questionnaire-based survey was sent out to all 15 respondents of the Survey I respondents **(Annexure B).**

However, only one respondent returned the forms and provided written feedback while the other 14 provided verbal feedback but did not complete the forms. The return of one survey therefore cannot be considered as adequately representative.

4.1.2. Survey analysis

Grounded Theory as a philosophy requires an intuitive ability from the researcher to step back from the data order to hear 'the voices' in data. Glaser and Strauss (1967) define this as the researcher's ability to put aside and understand the theoretical sensitivity of his or her role (Glaser & Strauss, 1967). The survey asked the members' preferences and opinions on Blended Finance developed using a Likert scale structure, and this was responded to. Grounded Theory researchers, to gain further language use insight, would ordinarily have applied In Vivo coding to elicit an accurate sense of the narrative. Given the survey nature of this research, this was not possible in its pure form; however, it was the researcher's view that the use of a Likert filter, though limiting, did not necessarily exclude the likelihood of nuances being heard in the data and feedback. They must simply be understood as those [nuances] that are pre-coded, and are therefore influenced strongly through the data designer's eyes and biases.

All questions were answered; however, some members answered some of the questions twice, while others did not complete the questions, although they had started to do so. Applying a mixed-methods approach, descriptive statistics were utilised to assess the results. The frequency analysis that followed highlighted areas where there was the highest representation in responses. This is graphically represented in **Annexure D.**

4.1.3. Frequency analysis

% Respondents	Response to questions on blended finance
93.33%	Their organizations have a high interest in increasing financing transactions to the private sector
80	They have heard of the term "blended finance"
60	Their organizations executed less than 50 financing transactions each year whilst 20% stated that range for their organizations is between 50-100 financing transactions
60	Their organizations had not engaged in any blended finance transactions to date
56.25	Their organizations have a strong understanding of the fundamental principles and practices of private sector financing and investment while 31.25%
53	Their organizations annual financing volumes lie between USD 50-100 million
46.67	Blended finance was critically important to the overall attainment of their organization's mission while a similar percentage stated that it was very important
40	50-100% of their organizations annual financing transactions are directed to the private sector
40	Their organization's annual financing volumes were less than USD 50 million
31.25	Their organizations have a fair understanding of these concepts
26	Their organizations are fairly equipped in this regard
20	Their organization's level of understanding of blended finance is poor

Table 5 : Frequency analysis on respondents' responses

The results of the survey indicate that DFI's on the continent, have heard of the term Blended Finance as an approach towards financing (Annexure E). Further they consider this approach to beneficial to them achieving their outcomes.

Given this support, the results support the view that some understanding of Innovative Finance is present within DFI's.

Whilst the ultimate quantum of transactions financed was small, (indicatively number between $50 and 100 million per annum), the results indicate that DFI's see a role for the private sector and that these interactions have been critical to their role. This is supported by the fact that 51% indicate an understanding the principles under which private sector financing can be best enhanced and almost all have an interest in seeing this exposure increasing (93%).

The survey, asked specifically the type of support members would feel would be the most useful to them, and overwhelmingly, the responses asked for better ways to design and by implication engage in a more meaningful way with private sector.

Given this feedback, this research is well placed to respond to the identified needs of DFI's.

Lastly, almost all of the DFI"s had engaged with global multilaterals to support their development. Out of those cited, only AfDB was continentally based.

The summary above, was then Coded to present not only trends within the data but to validate complexities.

4.2. Coding analysis: results

Coding was chosen as the process for reducing the data and interpreting it into trends and themes. A coding methodology, suitable to each data type was applied across all three source data sets (Phase I, II and III). The coding outcomes were synthesised into three cycles of coding maturity in order to allow the representation of the codes into meaningful messages which would provide the foundation for a framework **(Table 5 represents the logic).**

Table 6: Coding frame maturity cycle to Core Code Theory

	POST- FIRST CYCLE	SECOND CYCLE CODING	MODEL FOUNDATION	CORE THEORY
CODING MATURITY STAGE	*Code Landscaping*	*Code Weaving*	*Theoretical Coding*	FRAMEWORK
Phase I (Source data I) 33 Codes **Phase II (Source data II)** 73 Codes **Phase III (Source data III)** 67 Codes	77 categories translated into 12 Themes	12 themes translated into 5 Concepts	5 Concepts translated into DFI MODEL FRAMEWORK	Innovative Finance Models CENTRAL THEORY

Source data (Phases I to III) was analysed at each phase using the coding methodology identified as most suitable for the data type. This coding process generated data codes per phase, and these codes collectively accounted into 173 different codes from all three source data phases.

Annexure F provides an extract of data synthesised for First Cycle Coding: Phase I, II and III.

4.2.1. First Cycle Coding

Phase I: Magnitude and Concept Coding

The narrative content of the source data for survey results was analysed using Magnitude Coding to elicit frequency of occurrence and weighted sentiments. Out of each result, sections of the text responses were coded and an initial set of categories started to emerge. The results were concept coded and 5 categories were identified.

Phase II: Initial coding and In Vivo Coding

Phase II analysed the second data set, consisting of three documents presented to the AADFI members for engagement:

- Opening address
- Keynote speech on Innovative Finance
- Presentation on an Innovative Finance Instrument

Given the nature of the data, an open-ended Initial Coding methodology was used, in addition to the language based In Vivo coding for language nuances. From this, 49 categories emerged, reflective of the richness of the engagements.

Phase III: Concept Coding and In Vivo

Concept coding was applied to the results of the needs analysis survey and some of the open responses utilised In Vivo coding for language nuances. From this, 32 categories emerged. **Figure 8** provides a diagrammatical representation of the First Cycle Coding Frame methodology and its outcomes combining data codes, into categories.

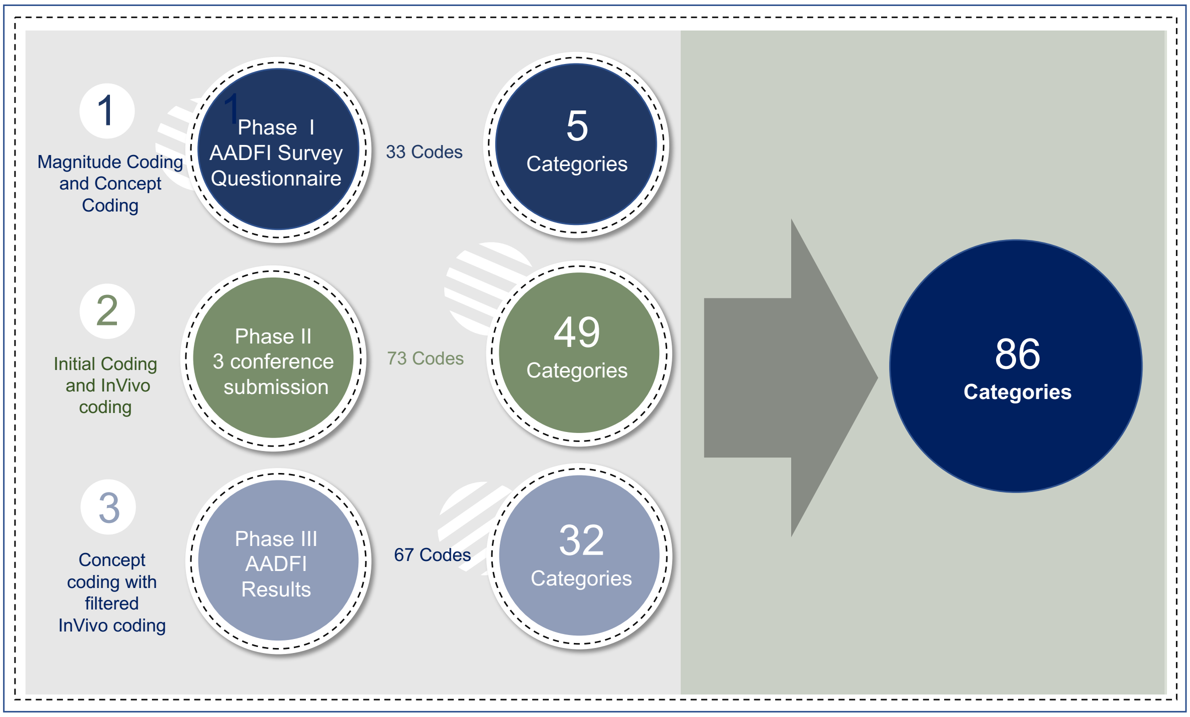


Figure 7: First cycle coding frame outcomes by coding volume and categories per coding cycle

4.2.2. Post First Cycle Mapping

Code landscaping

Given the three-phase coding applied to the data, it was necessary to establish the emerging and dominant views within the data. A post first cycle mapping process was applied that lifted the emerging trends and sought to develop some dominant text for consideration as themes.

A word cloud **(Figure 8)** was developed which highlighted the role of investments and investors as the dominant dimensions in the codes. Further instruments (bonds, equities) started to rise and sources of finance (remittances.) sustainability and sectors (energy) started to come through.

Figure 8: Word cloud – Post first cycle landscape coding outcomes

4.2.3. Second cycle coding

"Second cycle codes are advanced ways of reorganising the analysing the data through the first cycle methods." (Morse, 1994) Theoretical coding was applied to the data in order to further refine and guide synthesis. "It allows the researcher to understand the central and core themes coming out of the data – what the researcher identified as the core themes." (Strauss & Corbin, 1998).

Data was coded and synthesised from the 86 categories into **12 broad data themes** of related areas which raised underlying dimensions.

The following12 data themes emerged:

- Transformative potential – private sector [*Dimensions:* capital availability, scale of impact, productivity benefits]

- Priority sectors seem to drive growth [*Dimensions:* infrastructure as catalyst, new technology]

- Organisational values and rule sets [*Dimensions:* vision and mission-based investments, policy development, potential*, faith-based*]
- Localisation and context – Influences strength [*Dimensions:* locality development, intra-African opportunities, regional natural strengths]
- Enabling behaviours [*Dimensions:* governance engagement, capital allocation, risk assessment]
- Economic opportunities – economic drivers [*Dimensions:* inclusive growth, increase financing volumes, economic opportunities, continuous development]
- DFIs – The coalescing capability [*Dimensions:* enabling risk, access to finance, policy frameworks and interpretation, deploy capital]
- Decision making [*Dimensions:* principle-based investment, acceptable risk]
- Capability and capacity [*Dimensions:* innovative know-how]
- Attract private capital [*Dimensions: attract* other money, source of funding, asset yield expectations, co-financing]
- Additional [*Dimensions:* investments, catalytic choices, sustainable finance, technical support to facilitate]

Within each data theme, were underlying dimensions, with descriptors which provided context and effectively ensured that there reached a point of saturation in the coding represented in the data themes. The full details of contributing dimensions are provided in **Annexure G**.

4.2.4. Coding data themes to central concepts

As further synthesis, each data theme was analysed to bring up core and central concepts. The integration and touch points in each data theme – where there were obvious points of synthesis – were examined through statements made which sounded alike, and talked to the same point. These were consolidated into one aligned Concept. Five major Central Concepts emerged as being topical to the initial identified coding. They represented the greatest points of integration through the literature and coding process.

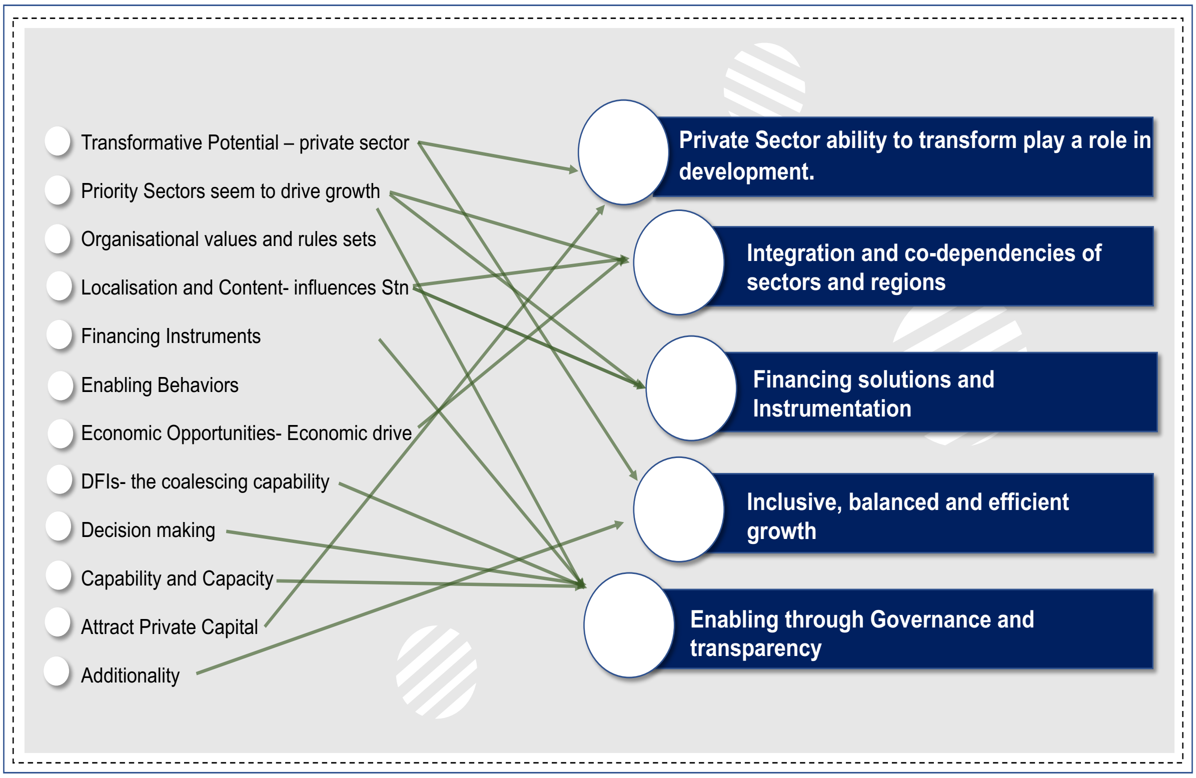


Figure 9: Twelve data themes translated into five central concepts

Central concepts

i) The ability of private sector to transform and play a leading role

Transformation potential of the private sector – to attract private capital

The private sector has a role to play, not only to address for-profit causes but also in transforming development using the skills it has. The concept of the private sector playing a leading role holds the potential benefit of the ability to attract higher levels of private capital and to create a stronger enabling environment for deployment.

ii) Integration and co-dependency of sectors and regions

There is opportunity for sectors of the economy which are considered to be priority to be used to lead developmental growth. These priority sectors may be localised in nature but have the potential to be regional and will influence decision making. Further, they present diverse and impactful economic opportunities . The economic role of integration and co-dependency must be considered in providing final solutions. There is opportunity to leverage on neighbouring countries, and neighbouring sectors, and to capitalise on existing work to build financial solutions economies.

iii) Financing solutions and instrumentation

Financing solutions, private-sector-led growth

The development of instruments must be part of the overall agenda. The instruments can be private-sector led, but in the end, must have a solutions orientation to their development.

iv) Inclusive balanced and efficient growth

Additionally, Transformative opportunity for private sector growth does not occur in a vacuum, and all its dimensions must be addressed in the financing solutions. This growth should be balanced to provide direction and focus upon efficiency gains. Investing what you need in order to gain efficiency.

v) Enabling through governance and transparency

Capability and capacity, decision making, DFI coalescing, enabling behaviours, organisational values and norms. The environment within which these decisions operate has to be cultivated to foster success, trust, openness and transparency – this is about relationships.

The five central concepts present a picture for the DFI Framework to be developed and form the basis upon which the model is tested for validity.

The final step in the coding was to apply Code weaving to the Central Concepts to create a single narrative which brought all components and thought pieces together. This Core Code Theory would provide the principal basis upon which the framework would be built.

CORE CODE THEORY

"To build, in an open and transparent way, financing instruments which can support inclusive economic growth, whilst recognising co-dependency of sectors and regions and to lead this with a Private Sector mentality and focus upon efficiency"

4.3. Data reliability and validity

The research methodology section of this paper outlined that in qualitative research the filter by which the value of research outcomes may be assessed, whilst still addressing the standard integrity factors, has scope for adding others which provide dimensionality to the information.

As referenced in earlier chapters, Lemon (2017), (Lincoln & Guba, 1985) all provide different guidance on the most relevant focus areas for qualitative research. Trustworthiness (instead of reliability and validity), and five areas which enable the establishment of trustworthiness.

Credibility (Do findings upon reflection appear in the data as expected?)	The findings appear as expected as it pertains to prevalence of Innovative finance. However, given the fact that blended finance was used as a proxy for Innovative finance, and the Innovative Finance outcome was not tested for directly as a result of data, there is could be extrapolation weaknesses within the data.

Dependability (Are these specific to or unique to a time and place. Is this consistent?)	The findings, are not time bound as the secondary data was collected across time periods across institutions and across locations. Should this research however be repeated in two years' time, a different outcome would be expected given the focus being given the blended finance as an area of specialization.

Transferability (Would these also apply in other context the than those being reviewed?)	The data set chosen was AADFI All responding DFIs are members of the data set. The second data collection took data from those who attended the AADFI conference, who may or may not have been members of AADFI. Other DFIs, and associated institutions were therefore represented. Given the broad-based collection, the findings are not likely to be unique to this specific set of DFIs. Similar trends should be found given the pervasiveness of the conference and its participation

Confirmability (Were these confirmed by others who participated?)	Outcomes of the survey were shared verbally with those members who did not submit written submissions and verbally they confirmed that they too would have submitted the same responses. They too knew little of Innovative Finance as a tool. Only one institution, indicated in the affirmative with an array of tools being used by them.

CHAPTER 5

RESULTS ANALYSIS

5.1. Development Fund Institutions engagement framework: Theoretical framework

The theoretical framework for the DFI Engagement was developed using outcomes in aligning the original Research objectives, the Central Concepts, and Core Code theory. This integration allowed the theory to be used to build principles of the engagement framework and to validate the relevance of the outcomes.

5.1.1. Data outcomes integration: Research objectives and goals

As outlined in the Methodology chapter, the ultimate objective of this research was to reflect to DFIs the redefined role that they may play in advancing development by thinking differently about how development is achieved, and about their own role in making such changes. By using Innovative Finance instruments, and through partnerships, greater opportunities stand to be unlocked to shift the scale of change.

This work intended to encourage DFIs to take a more proactive approach by sourcing alternative forms of finance to solve the development needs as they encounter them.

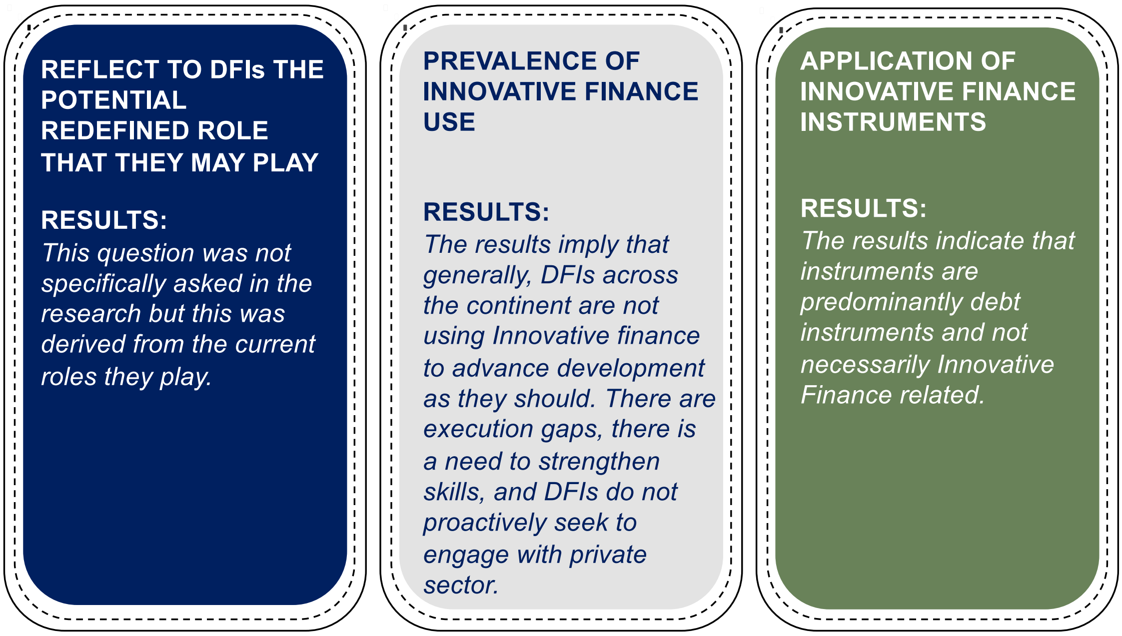
Research goal

The research goal was to create a financing principles framework which DFIs can use to increase their development impact by proactively participating in projects considering Innovative Finance tools and increasing private sector partners. This framework considered the experiences of DFIs and reviewed them for appropriate and aligned use locally.

The objective was segmented into three areas of analysis which had to be tested in the data collection. The outcome of this formed the first layer of data outcomes which informs the theory for the Engagement Framework:

- Reflect to DFIs the potential redefined role that they may play;
- Prevalence of the use of Innovative Finance amongst DFIs; and
- Application of Instruments.

Figure 10: Research goal data alignment



5.1.2. Data outcomes integration: Central concept

Five central concepts emerged from the coding process which form the second layer of data. The central concepts were weaved into a core theory which forms the theoretical framework within which the model was developed.

CORE CODE THEORY

"To build, in an open and transparent way, financing instruments which can support inclusive economic growth, whilst recognising co-dependency of sectors and regions and to lead this with a Private Sector mentality and focus upon efficiency"

Central Theme I: Private sectors ability to transform and play a leading role

Goal: Increase private sector participation to lead development in specific areas

Private sector has a role to play not only in for profit motive, but using their skills set for the transformative benefit of society. This attraction of private capital requires the creation of an enabling environment for aligned deployment.

Central Theme II: Integration and co-dependency of sectors and regions

Goal: Recognise the economic localisation opportunities and lessons learnt

There are development benefits to strengthening economic integration and localisation. The co-dependency between economic units within regions must be considered when looking to capitalise upon existing work, to build financial solutions, to source common capital for Innovation.

Central Theme III: Financing solutions and instrumentation

Goal: Develop and share financing instruments and structures

The development of suitable instruments of finance is integral to translating opportunities to projects. The instruments should respond to the capital requirement, and must be developed to illicit maximum development outcomes

Central Theme IV: Inclusive balanced and efficient growth

Goal: Ensure that sustainability lies at the core of all work

Development outcomes must underpin all investments within Innovative Finance. Development outcomes must align to the principles of economic growth that is equitable (benefits accrue to all), efficiency (deliberately managed investment that does not outweigh benefit).

Central Theme V: Enabling through governance and transparency

Goal: Undertake partnerships in a transparent and open manner

The decision-making environment should be created to foster success, trust, openness and transparency. Protocols and openness will assist in aligning intent and will foster values-based investments.

5.2. Development Finance Institutions: Proposed engagement model

5.2.1. Informing the framework

The dFiEM [pronounced 'fem'], builds on the principles articulated from the data and uses them as a basis to test for model fit. Further, it takes from published literature on impact investment philosophies, risk-reward principles, private and public sector interaction in market failure resolutions, as well as risk-reward principles for participation environment, and integrates these to provide a closed opportunity assessment system response.

Work delivered by the Omidyar network on their experience in developing a meaningful impact investing portfolio forms the first literature base (Model I) (Bannick, Goldman, Kubzansky, & Saltuk, 2017). It also uses work undertaken by the Development Bank of Southern Africa when asking fundamental questions about the required role of DFIs within economic systems (Model II) (Thorne & Du Toit, 2009; Gumede, Govender, & Motshidi, 2011). **Figure 12** shows how the researcher developed the framework, Model III (dFiEM) by integrating Models I and II to facilitate a thinking process to locate the development impact imperative.

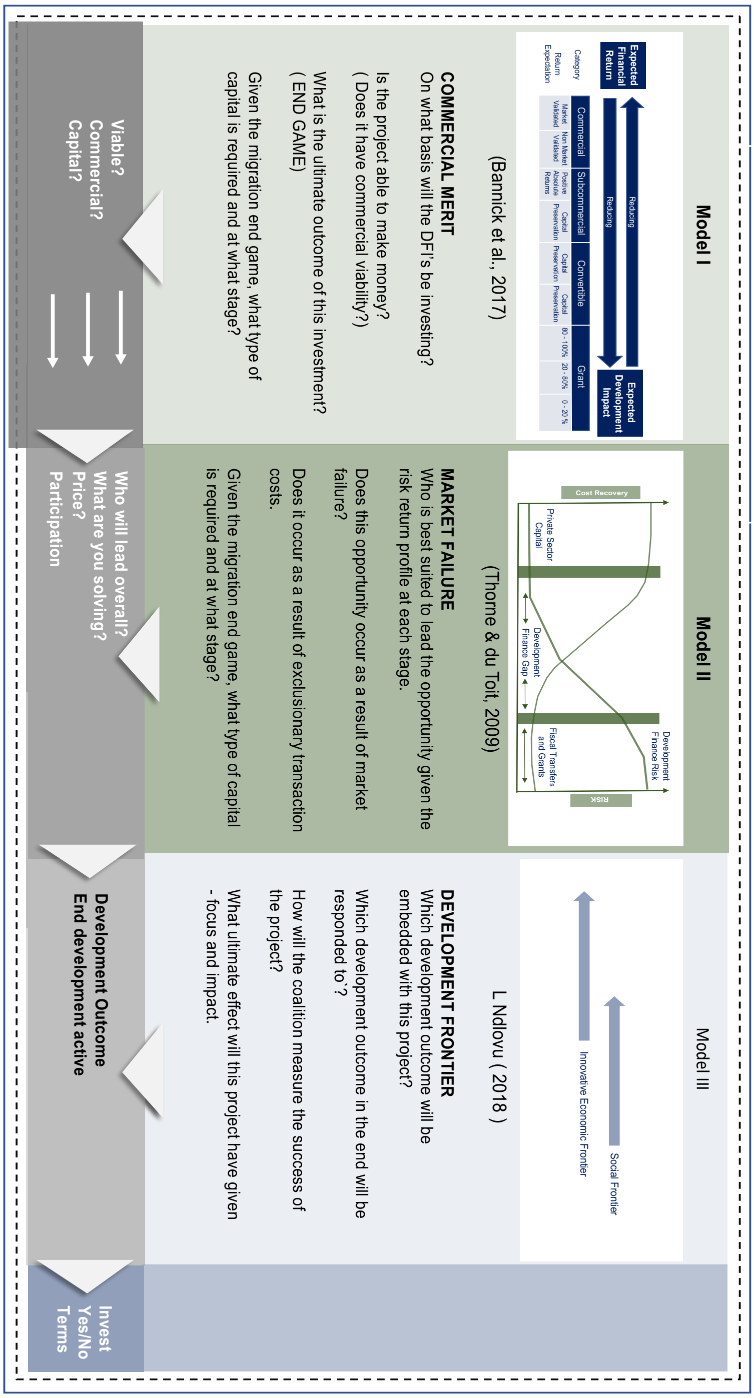


Figure 11: dFiEM Model

5.2.2. Intention of the dFiEM Model

The dFiEM Model intends to guide decision making for DFIs by ensuring that they optimise investment opportunities through partnerships. At each stage of decision-making process, the model asks questions about the required development outcome, the appetite parameters, and the partner most suitable to lead. The model is designed to be implemented as a series of enabling decisions. These will lead to one conclusion **(Figure 13).**

dFiEM MODEL OUTCOME DFI PROCEED TO INVEST: YES or NO	
At its conclusion the yes or no decision will have answered 3 investment questions which form the basis for an engagement decision?	Upon what basis will DFIs be investing?
	Who is best suited to lead the opportunity?
	How do we ensure that the development outcome is embedded?

Table 7: dFiEM outcome

5.2.3. Logic of the dFiEM Model

In order to increase engagement, the framework is developed upon key principles – assessment of commercial merit, location of market failure and definition of development benefit by defining frontier. These principles must guide role players, their appetite and long-term aspirations, as shown in Table 6.

Table 7: Stages within the framework to increase engagement

Stage I : Commercial Merit (Table 7)	Stage II: Market Failure (Table 8)	Stage III : Development Frontier (Table 9)
In order to engage with private sector, DFIs in the initial instance must define for themselves upon what basis they wish to enter an opportunity. **dFiEM** asks for active participation through directed questions and answers.	DFIs are mandated to operate where there is defined market failure. Their basis for intervention and engagement however needs to be explicit. The model asks DFIs to determine the basis for existence of the opportunity.	In the final instance, the model asks the project sponsors, and providers of capital to crystalize thinking on development requirement and determine definitively the location of the development outcome discipline. Development and impact manifest in many forms. Impact can be located in commercial projects, as well as resident in public good opportunities. In between there are a myriad of other opportunities. The commercial merit however des not define the development outcome.
1) Is the project able to make money? (does this opportunity have commercial ability)	1) Does the opportunity occur as a result of market failure?	1) Which outcome will be responded to • Social Frontier? • Innovative Economic frontier?
2) What is the ultimate outcome of this investment? (define the end-game)	2) Does it occur as a result of minimal reward only? 3) Does it occur as a result of exclusionary transaction cost?	2) Define how the opportunity and the coalition will measure success of the project.
3) Given the end state, what will it take to migrate to its end game state. (is there movement required)		3) What ultimate effect will this project have given the market, the focus and impact.
4) Given this movement, what type of capital will be required, and at which stage of the project.		

5.3. Development Finance Institutions engagement model (dFiEM)

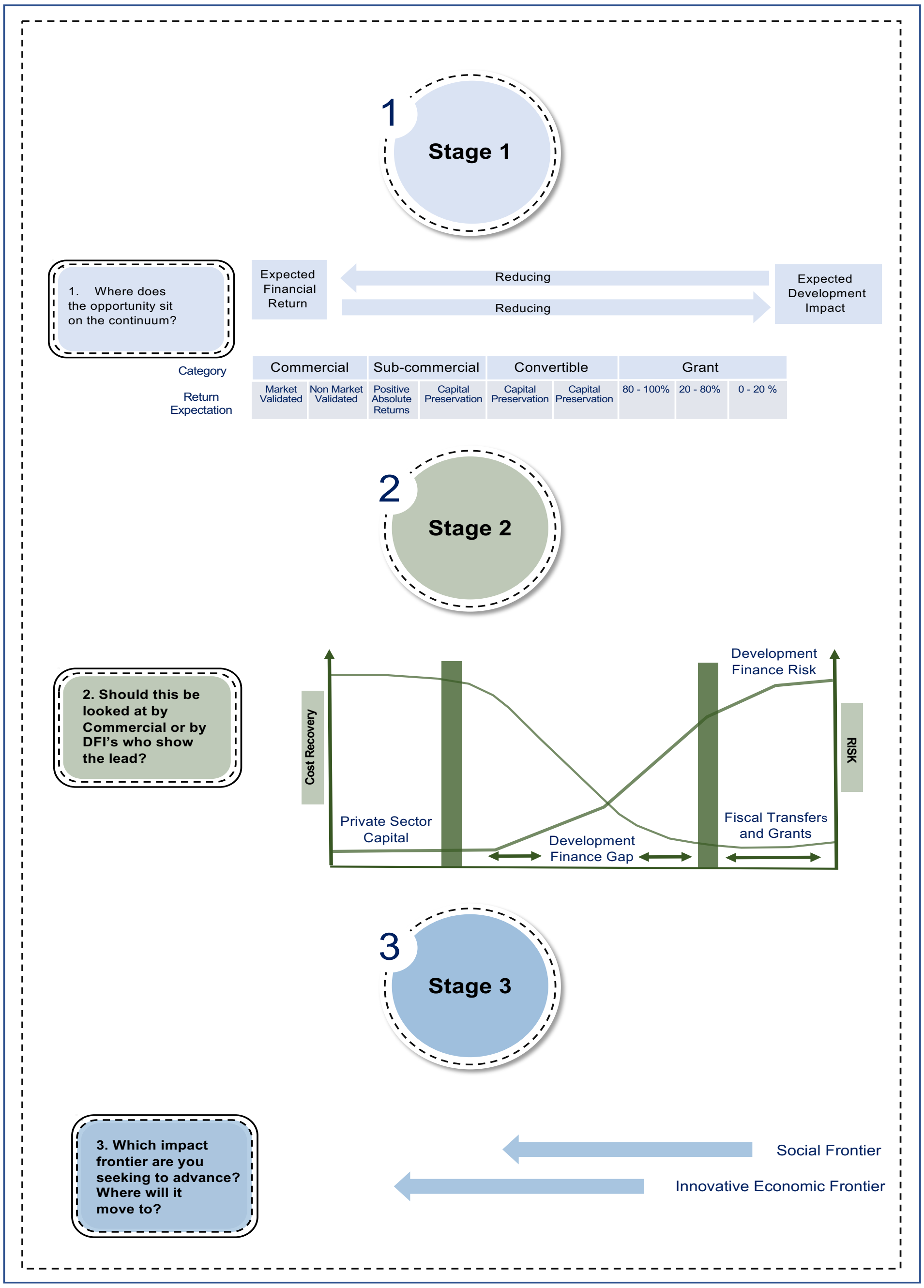


Figure 12: DFI Engagement Model (dFiEM) (Thorne & Du Toit, 2009)(Bannick et al., 2017)

5.3.3.1. Stage I: Commercial merit

The commercial merit stage provides an opportunity to define the characteristics of the opportunity to all parties. It allows for agreeing upon the economic argument for participation, for defining the ultimate end goal, and aligned to this, the required appetite for inclusion at various stages. It further starts to identify the possible source of capital aligned to each stage of the opportunity, and recognised that the end goal may be commercial viability. This moves the project towards the left of the continuum.

Given the required movement of the project towards its end goal, what type of capital is required, and at which stage of the project?

Table 9: Stage I: Commercial merit principle

Strategic Question:	STAGE I : Assess placement on the continuum
• Given the financial returns profile of this project, where should this opportunity be led from? • In order for this to be considered a success, where towards the left should this project be located?	All projects financed by DFis, follow a due diligence process. Potential risks are identified, and financial expectation is validated. • In this stage, a framework for legitimate expectation is set. • Further, to embed the principles of nationality and sustainability, each project must define for itself an end goal. • DFis should encourage a wave of movement towards the left of the continuum. Towards better financial suitability. Not profit. • A potential target, may be potentially, a 2-block move. This target however must be tapered down the further left the project has paled.

5.3.3.2. Stage II: Market failure

DFIs exist in facilitate participation and create just markets where there is evidence of market failure given a public demand. The risk-return requirements of providers of capital are aligned to the perceived risk that is being taken. Providers of capital therefore define their own risk appetite, their own return expectations, and their own areas for deployment of capital which aligns to their expectations.

Those with appetite and with available capital will choose to deploy their capital where they perceive there to be optimum returns at every stage of the project. In Development, this capital must be used to resolve the market failure attribute which has been identified in order to agitate markets.

- When providers of capital choose to deploy capital (at whichever stages of the projects) they are the most suitably skilled to identify and mitigate the risk and thus take it on.
- Any partner can lead the transaction. This choice is informed by the commercial profile, the capital choice, the market failure resolution outcome and the partner that has the most appropriate and relevant skills to resolve the matters outlined.
- The Market Failure assessment stage is an opportunity to identify and accept the party best suited to lead. In addition, it builds integrated thinking in team skills and opportunities.
- Finally, it forces responsibility to align, source and proactively build capital in line with project outcomes.

An opportunity that has been through the three phases will be endowed with a full scope on why it should be pursued, who will lead at which stages, and the ultimate development benefit in pursuing. More importantly, it will have a coalition of partners working on projects in a collaborative manner, all designed to give effect to development.

Table 10: dFiEM Stage II: Market Failure

Strategic Question:	**STAGE II : Who is best placed to lead this project given its location on the Development Finance Risk reward framework.**
Given the nature of the project, who is best placed to lead this project? *The team lead, does not infer ownership. Merely responsible for co-ordinating a set of support actions*	• This phase, further deepens the location of the projects and starts to align preferred risk aligned capital sources given the expected returns. • Further, the DFI parameter of operation on this framework will change given the economic environment within which they operate. • This changes the scope for private sector led projects, and those traditionally led by government. • The role of the DFO here must be question their interpretation on the ultimate end state. The end state premise engagement must be made early on. • This starts to allow for alternative source of funds to be considered given the end-state.

5.3.3.3. Stage III: Redefining impact – the Development Frontiers

Looking closely at the work of DFIs and the economic imperatives underlying this research, the evolution of the SDGs has had an impact on DFIs and the definition of development. This refined definition of development as sustainability, as equity, and as all social equity, must be present in its evolved form when defining the role that DFIs should play.

5.4. Development Frontiers

DFIs have always been tasked with leading investments which have a development outcome. The evolved definition requires that partnerships must form part of that mandate. By seeking to define by an outcome discipline as suggested in the dFiEM, it is intended that the quest to change the economic and social dynamics is enhanced. The model defines this discipline-based focus on development as Development Frontiers.

The term ‘Development Frontiers’ is refined from the Omidyar definition of Impact frontiers (Bannick et al., 2017). This is attributed to the cutting-edge nature of the impact, in other words, there may be no other players participating in this space and the ultimate intention of the intervention is likely to be ‘interruptive’ in nature.

Development Frontiers describe how the interplay of political, social, technological and economic investments can drive positive outcomes. They sit on the cusp of commercial outcomes but are not exclusively for profit. They derive outcomes that are intended to benefit society and not individuals.

These opportunities are considered to be flexible, and at best economically pervasive in the application of change. The Developmental Frontier strengthens the outcome and has potential to redefine development.

5.4.1. Social Frontier

The Social Frontier is a development definition describing the disruption in the social order of things through influencing changes in the participatory power of individuals, groups, or societies. In amongst other mechanisms, this change is made through areas such as access to education, through increasing use of technology and its accessibility, to changing living standards, to changing public health impacts.

5.4.2. Innovative Economic Frontier

The facilitation of investment opportunities in ‘unfunded categories’ of business growth across sectors. These unfunded sectors typically include finance for disruptive technologies and untested but potentially pervasive business models. Stage-wise, these are post Concept stages, but have not yet proceeded to seed into early-stage financing and are considered potential game changers to societal outcomes. They merely fulfil the requirements of clear placement on the business maturity continuum, clear outcomes on society and evidence of leapfrogging over current norms to redefine thinking.

Table 11: dFiEM Stage III: Impact Frontiers

Strategic Question:	STAGE III : Impact Frontiers
What is the development continuum that anchors this project?	This last stage, asks DFis to broaden their understanding of the additionality and the types of financing instruments which may be suitable for application. This is called the Impact Frontiers. Again, the end-game location will guide on the Impact frontiers which is being targeted and ultimately the possible role that a DFI should be playing.

5.5. Executing the model

The power and benefit of the engagement model can be best evidenced in execution. In taking examples of development opportunities through the model, assessing the questioning process, and deriving an outcome against which one is able to see the benefit.

The Opportunity

An entrepreneur approaches a DFi and requests an Invoice discounting facility for his start-up company. He is seeking working capital to fully scale up an smart phone application he has developed, from pilot mode to full scale.

The company, a three-year old technology smart application development company will scale up the app to enable first line responses to health questions. The entrepreneur's first client is the Sudanese government who have provided an indicative letter of interest. Sudan has 70% network coverage, high technology uptake and the network is serviced mostly by MTN, one of South Africa's mobile service providers. The Mobile service providers is 50% , owned by the Sudanese Government.

The app will enable anyone to:

- ❖ Source first-line primary responses to health queries by taking pictures, uploading picture to a doctor, receive a response within 24 hrs from a medical practitioner, Receive a script via your local pharmacy, book your medication through mobile pharmacy, pick up at the time of pharmacy presence.
- ❖ The client has no equity in the form of cash to invest in the business.
- ❖ This is a business he built with his friends. His pilot has been tested, in a small local village network and seems to work.

The financial model is still in development, but indicatively it is modelled on pay per use. He has been thinking about offering subscriber option, but this would mean he must develop a financial front interface. Further he has been thinking about alternative forms of money which wold make the business easier to engage with, and he proposes that going forward he would like to accept airtime as a form of tender.

DFIs would then take the client's application through the three stages of assessment in order to gauge their appetite, their role and whether to accept.

Stage I: Assess commercial viability by revising where the financing continuum in this transaction would lie.

Strategic Question: **Project must define for itself an end goal**	**STAGE I :** **Assess placement on the continuum.**
• Given the financial returns profile of this project, where should this opportunity be led from?	This project is a mixture between development and commercial merits. In the long term, it has potential to be commercially viable, but at this stage, it is developmental. • The first stage of the project requires different financing • The second stage requires less rigour • The last stage can be commercial

Table 12: Strategic question for Stage I

Stage II: Assess the component of market failure addressed by this project

Strategic Question:	**STAGE II : Who is best placed to lead?**
Given the nature of the project, who is best placed to lead this project?	**What market failure is being resolved?** • The project seeks to reduce *the associated transaction costs* for health services • It seeks to increase *efficiency* of provision of primary services and stream line provision of medication **Where is the capital?** • Three sources of capital are needed, given the mixed nature of the opportunity **Design and start up - grant funding** • This capital should be sourced from health service providers. • Government allocations to primary healthcare for a locality **Model development and testing: venture capital** • This capital must be course from those who invest in start-ups and testing for health services. • Governments supported incubation programs • Enterprise development fund of all companies existing in healthcare **Model maturity and sustainability: commercial** • This capital must come from Venture capitalists interested in healthcare **Who should lead?** • Given the appetite for extensive venture capital, and start-up finance, and the end game of commercial sustainability, this opportunity should be led by a private sector player with DFI anchoring development and grant agenda.

Table 13: Strategic question for Stage II

Stage III: Which development frontier will this project be addressing?

Strategic Question:	STAGE III: Development Frontiers
What is the development continuum that anchors this project?	**Which development frontier will this investment honour?** This opportunity has a defined social outcome, but in the end, seeks to embed an economic model through innovation. Innovative economic frontier. • Will change the provision of primary services • Will integrate pharmaceutical provision • Will change how the forms of exchange are undertaken • The use of technology is integral to the means of exchange • It holds possibility foe changing forms of payment (by airtime which can convert to cash)

Table 14: Strategic question for Stage III

Invest: Yes/ No

At the end of this process, the DFI would proceed with the investment, within the guidelines provided and supported by the model. For this opportunity YES: DFI should invest and should be guided by the model outcomes.

This opportunity should be led by MTN Sudan, or any mobile service provider in Sudan, anchored by IDC (in Sudan) as the DFI anchor. MTN has the technology platforms to be able to lead this, to deploy and to look the concept of a mobile currency as a means of exchange.

IDC has the ability to take early-stage investments from pilot and would in addition take an equity stake to grow towards commercialisation. Any working capital costs may also be provided by shareholders as a loan to the business to build it up to full scale with some view on a significantly commercial return in the long term.

The third partner and co-funder of the business should be the Sudan department of Health who can provide working capital on a concessionary basis, thereby strengthening the IDC equity stake and managed through the DFI. This would run alongside the IDC funding to either blend or provide support to the public health platforms. This third partner should also lead in proactively guiding on managing the development outcome.

5.6. Expected role of Development Fund Institutions

The dFiEM (Thorne & du Toit, 2009); (Bannick et al., 2017) **(Annexure G)** outlines the potential opportunities for DFIs to change the economic systems, but at the same time to foster development. This research has already identified the need for DFIs to align their mandates to include partnerships. The example outlined above has shown how the model could be used to segment roles by financial appetite, to make choices on entry and exit points, and to support long-term project associations without full risk carry.

Given the above, there is a need for translating this new ecosystem into the redefined role for DFIs and evolving people's understanding of the role they could potentially play. How and why should DFIs exist in order to support development?

Table 10 proposes roles that DFIs could be playing in support of the changing market. It aligned both the roles and the instrument types which could be considered to support roles.

Table 15: Proposed Evolving DFI Role

	Role Description	Instruments
Convener for a discourse	The opportunity exists for DFIs to strengthen their role and convening power to call institutions, private and public sector together to engage in a public discourse designed to design outcomes. The voices of DFIs as convenors are rarely heard, but their natural positions within the societal systems, their proximity to government, but not part of government given them a level of insight and access that cannot be achieved by other role players	Establishment phase/ early stage capital provision for untested business model Co fund with sectoral regulators to build enterprise fund Development of incubator fund for telecoms
Funder	DFIs have the ability to continue as they have always done and provide on a risk-based approach, senior debt, equity, mezzanine financing. DFIs can provide bridging finance in order to secure project initiation until financing lines are in tandem. DFIs have the power to lead in transaction, reduce transaction costs by syndication and including other role players	Bridging facility (to allow upfront action until funding alignment) Project pipeline identifier to find
Intermediary	DFIs are best placed to lead in providing an intermediation role that Create a network of pools of differentiated funds which can be accessed for different developmental outcome • Fund raising and consolidation of large scale multiyear finance to feed into a series of project-based investments such as Social Impact Bonds across sectors, or regions • Providers of an open platform into which philanthropic funding segmented by asset type and return profiles can be placed for implementation into development projects which align to a development criterion • Providers of a funding platform into which government funds, segmented by policy priorities and long-term annuity commitments can be placed to align and invest in suitable development projects which align to policy priority outcomes • Impact funding separated by return profile and sector priorities • Multi-lateral funding segmented by policy priority outcomes Create a data base of industry and sector players who are willing to provide capital into their areas of interests for development purposes. e.g. The motor industry, investing in first loss structure for a financing proposal that uses stokvel finance to finance new car entrants.	Outcomes funded philanthropy Bridging finance and program coordination Asset pooling

Instrument Developer	• DFIs have the ability to design and refine development instruments designed to achieve different development outcomes. These instruments should be linked to the evident development gaps: • Social Impact Bond (financing mechanism which focuses upon achieving social outcomes with finance provided by government to drive efficiency). As an established instrument, there are opportunities for DFIs to evolve these and focus upon increasing either their definitions of efficiency, or their basis for assessment • Seed Capital Development Bond (development of an invests in seed and early stage financing opportunities, which is layers with other de-risking mechanisms such as a prefunded first loss provision mechanism • Create a capital market through Impact Bond Exchange Market into which financiers can provide finance into a series of related investments all with an aligned impact outcome. Role of the DFI is to design the instrument and find partners to manage the outcome and reporting requirements	Early Education Bond market Development Creation of facilitator of ODA instrument to invest in development Diaspora Bond development and application
	NON - FINANCIAL ROLES	
Market-catalyst,	DFIs remain the best placed institutions to support events of market failure, by taking responsibility for first mover status. This evidence of risk taking signals to other role players and facilitates inclusion	Any funding instruments which are designed on partnership and shared risk basis
Institution-builders	Part of their role in creating viable markets, is to encourage participation not only in the form of finance but in the building of strong market institutions which can participate. These markets lack an intermediary or perhaps lack end user capacity for investments It is their role in building viable ecosystems.	Any funding instruments which are designed on partnership and shared risk basis

Garmendia and Olszewski (2014) are of the belief that DFIs can build on their activities across these roles, and further the reach of their work by emphasising the need for collaboration with one another. While the issue areas are clear, so is the powerful potential for these investors to drive real growth (Garmendia & Olszewski, 2014).

5.7. Conclusion

The DFI engagement framework has the ability to be utilised as an internal process of logic which can be followed to adequately assess an opportunity. It distinguishes between investments undertaken for commercial benefit and those undertaken for development. Further, it supports the theory that the two are not necessarily mutually exclusive and can exist side by side. It responds to how impact should or should not be recognised, and the role of DFIs in the long term to source, structure and coordinate finance to advance a development outcome. When developed fully, the DFI engagement framework can provide a basis for transparent and aligned interests. This alignment is a firm basis upon which trust can be fostered to clear a path for interactive impact building across sectors.

CHAPTER 6

CONCLUSION

"DFIs generally, and in particular those on the continent, have been slow to refine their role in specific support of the SDGs. Their role as catalysts of change must be responsive to the changes within the private sector." – Loyiso Ndlovu, March 2018

6.1. Introduction

The opening statements of this research began by asking a question on the future role of DFIs on the Continent, given the market changes within which they are now operating. There are 142 DFIs across the Continent, serving a population of approximately 1.2 billion people. It is anticipated that as a continent, Africa will see an exponential increase, not only in general population growth but will also experience a burgeoning cadre of youth who require active economic engagement (UN Department of Economic and Social Affairs Population, 2017). What does this demographic change mean for the work of DFIs? The social and economic imperatives become urgent in the face of the population potential and potential fiscal burden.

6.2. Research process reflection

The literature review asked questions about the role of DFIs as catalysts for change. It recognised their multi-dimensional responsibilities and provided a view on the evolution of private sector participation in development. It noted how this role had evolved through mechanisms such as Impact Investing, Public-Private Partnerships, and now, towards Innovative Financing. For example, within the I1nnovative Finance genre, there are currently 108 contracted Impact Bonds globally. Of these, 10 are in high-income countries and six in low-to-middle income countries (Brooking Institution Social Finance, 2018). Given the economic position of countries on the Continent and the development benefits of Innovative

Finance potential, the Continent could play a large role in significantly increasing that number to its benefit.

A bottom-up research methodology was followed, which allowed for reflections from the DFI sector through surveys. This provided a view of the sector and its challenges, and identified factors which may help to contribute a better understanding on how best DFIs may engage with these changes. The Grounded Theory approach was used to frame thinking on the subject matter and to decipher the data. This matured to the development of a core code concept and a code theory for a framework, which enabled the development of a decision-making methodology for DFIs, the dFiEM (Thorne & du Toit, 2009); (Bannick et al., 2017).

What then is the potential DFI role that could be achieved and what is the long-term outlook for Innovative Finance?

6.3. Research question reflections

6.3.1. Research goal

The ultimate goal of this research was to reflect to African DFIs the methodologies and instruments that may be available to them to unlock development opportunities. It intended to encourage DFIs to take a more proactive approach by identifying the correct projects to participate in and taking a long-term view on partnerships and sources of alternative finance.

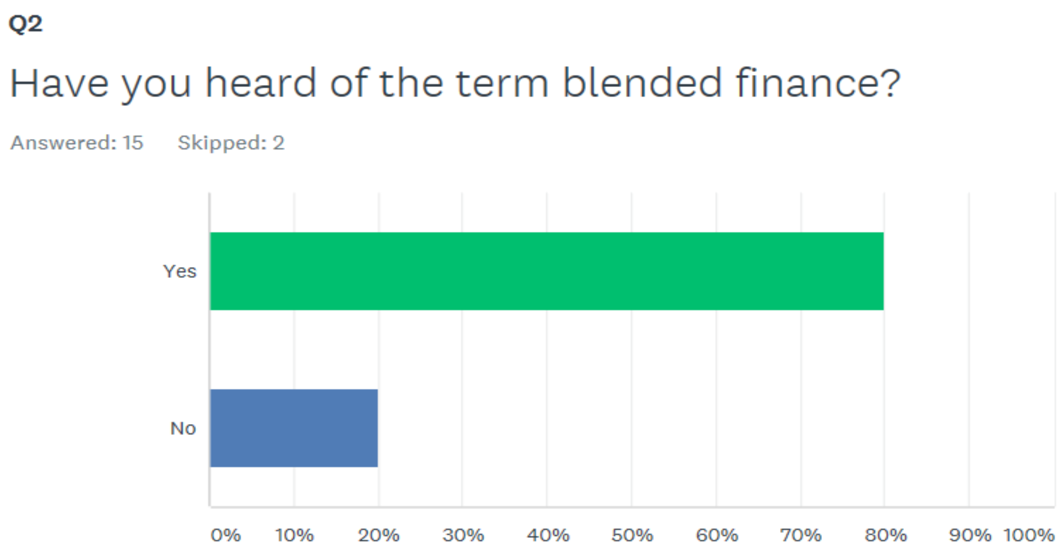
Response: The dFiEM (Thorne & du Toit, 2009); (Bannick et al., 2017) was developed. This was built from Grounded Theory principles and it defined a logical decision-making approach which could be followed to achieve both development and growth. This framework should allow DFIs to engage in opportunities, decide how they wish to play and to take a collaborative approach towards developments.

In addition to the framework, a range of Innovative Financing instruments were explored as areas within which DFIs could have a stronger presence as financial instrument builders and facilitators. The financial instruments, approaches and philosophies, whilst not exhaustive, align to the emerging opportunities to change the status quo. This should provide DFIs with the process logic to reframe their thinking on the new role of finance within development.

6.3.2. Problem statement

The second statement asserted that African DFIs have not been at the forefront of developing Innovative Finance structures to facilitate development. The research was required to confirm the exact number who had been involved in Innovative Finance mechanisms and what instruments they were using.

Response: This statement was confirmed from the data set. Out of the 82 DFIs surveyed, and the 15 who responded, only 20% indicated that they have heard of Blended Finance (considered to be part of Innovative Finance).



6.3.3. The role of Development Finance Institutions

The research posed a principle question on the potential role that DFIs could be playing in driving change to achieve better development.

Response: It is clear that DFIs can no longer continue to operate on the periphery of large-scale changes to the global economic landscape. This is especially so in the case of the Continent, given the demographic changes which will impact development support requirements. This research has made pointed proposals on the future role that DFIs could play in increasing the pace and scale of development outcomes. These proposals need to be examined closely, and detailed work undertaken to assess each of their merits, and a set of structural changes to DFI mandate and financing solutions must be considered for implementation.

Considering these proposals, challenges to DFIs are evidently not limited to their ability to engage or comprehend mandate. Many other factors may affect the ability of a DFIs to change meaningfully. These need to be identified and addressed and should form part of further academic research. The following areas, though not exhaustive, should be considered when reviewing their long-term role:

6.3.3.1. Push factors potentially affecting the role of Development Fund Institutions

- **Internal operational inefficiencies**

  DFIs are notoriously weak at balancing development outcomes and optimum operational efficiency. The contributing factors of high-quality outcome expectations, high-risk development investment profiles, cost factors associated with multi-dimensional skills sets and increasing labour market costs, cost and benefit factors aligned to integrated processes and the need for technology upgrade and integration would need to be understood (Thorne

& du Toit, 2009). The cost factors associated with duplicate governance reporting requirements imply that DFIs are always posed to choose between achieving operating efficiency and evidencing development outcomes.

- **Policy and political alignment vs the right thing**

  DFIs have their mandate located in policy implementation to strengthen government priorities. Where policy and DFI mandate incongruence is present, or where they seek to sharpen their role within the context of government's policy direction, this potentially places them into conflict with their shareholders who would prefer a broader, shorter term, often politically expedient policy outcome. This operational tension significantly influences the effectiveness of DFIs as institutions to deliver, and their ability to respond effectively will always be found wanting.

- **Development Fund Institutions capital structure policy misalignment**

  Self-financing DFIs are most prominently affected by their ability to achieve their developmental mandate with misaligned capital structure requirements. Where there is conflict between the return appetite of capital providers and the financial sustainability policy mandate, there is an untenable risk to either development outcomes or financial sustainability. Mandate alignment requirement requires high-risk investments into areas of market failure where transaction costs are high. Return requirements require managed returns of a less risky nature within particular governance prescripts. Long-term stability requires an internal process of aligning suitable capital into the appropriate and matching asset categories. This means that deep reflection is required on who the providers of capital should be, could be and to what end they require a return.

6.4. Innovative Finance opportunities

What then are the IF opportunities for the Continent, and could DFIs play a role in increasing the share of IF structures developed to support development? As of 2011, "the private informal trading sector on the continent account…[ed]…for a whopping 40% of Africa's economy – more than in any other region except Latin America." (ODI, 2011). AfDB (2013) citing similar statistics, indicates that in addition, private sector investment dominates Africa's economic growth trajectory and that it accounted for over 80% of total production and two-thirds of investment and three-quarters of provision of credit into African economies (AfDB, 2013).

Infrastructure on the Continent must continue to rise with the growing population need linked to robust infrastructure investment. The latest figures indicate that the Continent requires investments of between $130bn-$170bn per annum to respond to the needs of the Continent (AfDB/OECD, 2018). This increasing deficit in infrastructure provides an investment area which can be used to provide opportunities for commercial and development partnerships.

Looking at other sources of money, there is no reliable data continentally on available and 'idle funds' – funds which are available but are not deployed into active return making investment activities. Yet, a figure of this nature could be crucial for ascertaining the ability of the Continent to finance its own growth. As an example, in South Africa alone, it is claimed conservatively that there is R45bn in unclaimed monies for individuals who have left pension schemes (passed away, changed schemes etc.) and have not claimed their money (Commons Consultants, 2015). If even 10% of this could be mobilised for development purposes, a potential R4.5bn ($ 335 million) could be available to support development investment across the Continent. This is a small figure given the scale of requirements but would go some way to developing available sources of money. DFIs should stand ready to mobilise funds at scale across the Continent and the question of what role they could play in capitalising upon these opportunities has been well made.

6.5. Recommendations and future areas of work

DFIs will be central to the task of scaling up alternative finance. Currently... [DFIs] … have a private capital mobilisation ratio of less than 1:1. In being inclusive in their mobilisation efforts, this number has to grow. Indicatively, this would need to more than double over the next decade in order to respond effectively to the SDGs commitments (Blended Finance Taskforce, Development, & Systemiq, 2018).

Given the fact that DFIs have a role to play in providing an enabling environment in which market transactions can materialise and in certain instances …[they are able to] ..direct incentives and co-financing." (Program), Allman, & Nogales, 2015). As an outcome of this research, it is proposed that the DFI Engagement Model (dFiEM) (Thorne & Du Toit, 2009), (Bannick et al., 2017) be developed into a formal documented and researched methodology. The methodology should be piloted and refined into a formal academic tool that can be used to increase partnership facilitation on an economic, developmental and financial basis. In addition, AADFI as the supporting institution for this research is challenged to lead the thinking with DFIs on how best they utilise the engagement model to best effect.

As a specific outcome of this research, the following actions are proposed to AADFI Secretariat:

1) That AADFI establish a project team tasked with developing a pipeline of potentially bankable projects across the Continent which are ready for an Innovative Funding approach.

2) That AADFI conduct research on idle funds across the Continent. Through this, they could establish a database of available sources of funding, which could be accessed through partnerships to drive development outcomes.

3) That AADFI establish an Innovative Finance desk whose goal it is to structure transactions, and to develop learning material and to publish peer-reviewed work. The desk will be tasked with establishing a structuring capability within each region on market-led changes, which may lend themselves to Innovative Finance and must be supported by an academic research team that documents the structures and reflects them back to academia as a basis for either further research or peer-review publication

4) That AADFI should commit to sponsoring 10 PhD and 30 Commerce Masters students every five years to conduct issue-based research on Innovative Finance techniques. The areas of work they will undertake will be defined by the Innovative Finance desk.

5) That the model developed in this research be revised for public engagement and refined into a formal model which can be used for implementation.

6.6 CONCLUSION

DFIs are positioned for the next stage of their evolution as economic stimulants. Their strength will lie in their ability to take lessons learnt from their historical backgrounds, ensure that their agenda is inclusive, and reinvent themselves as much more agile (perhaps smaller and deeper) entities that strive to change economic spaces.

The dFiEM (Thorne & du Toit, 2009); (Bannick et al., 2017) has the ability to support the first step in encouraging inclusiveness in behaviour and to developing the path to the next generation of DFIs – those which are not afraid to lead by letting go.

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ANNEXURE A

Online Survey questions delivered to AADFI members

CONVERGENCE
BLENDING GLOBAL FINANCE

SURVEY RESULTS
AADFI Members
Blended Finance Training

Contact Details

• Organisation Name:

• Contact Name:

• Email Address:

Programme Context

1. Have you heard of the term 'blended finance'? • Yes • No

2. How would you describe your organisation's level of understanding of blended finance?

   • Expert • Strong • Fair • Poor

3. How would you describe the capacity of your organisation to identify, evaluate and execute blended finance transactions?

   • Strongly equipped • Fairly equipped • Inadequately equipped • Not at all equipped

4. Assuming blended finance could help increase your organisation's annual financing volume by 25% or greater, how would you describe the potential of blended finance to the overall attainment of your organisation's mission?

   • Critically important • Very important • Quite important • Not at all important

5. Has your organisation engaged in any blended finance transactions to date?

   • Yes • No

6. How many financing transactions does your organisation execute each year?

   • More than 300 • Between 200 and 300 • Between 100 and 200 • Between 50 and 100 • Less than 50

7. What is the annual financing volume of your organisation?

   • More than USD 1 billion • Between USD 100 million and USD 1 billion • Between USD 50 million and USD 100 million • Less than USD 50 million

8. What percentage of your organisation's annual financing transaction is to the private sector (e.g. not public sector)?

   • 100% • Between 50% and 100% • Between 25% and 50% • Less than 25%

9. How would you describe your organisation's understanding of the fundamental principles and practices of private sector financing and investment?

   • Expert • Strong • Fair • Poor

10. How would you describe your organisation's interest to increase its financing transactions to the private sector?

• High interest • Moderate interest • Low interest • No interest

11. Which of the following donor agencies, multilateral development banks and development finance institutions do you have engagement with? (Please check as appropriate)

    • African Development Bank (AfDB) • The World Bank • The International Finance Corporation (IFC) • European Investment Bank (EIB) • European Bank for Reconstruction & Development (EBRD) • Islamic Development Bank • German KfW Development Bank or DEG • Netherlands Development Finance Company (FMO) • European Commission • United States Agency for International Development (USAID) • UK Department for International Development (DFID) • Swedish International Development Corporation Agency (SIDA)

Programme Content and Delivery

12. Please rate the following proposed learning outcomes of the training programme on a scale of 1-5, where 1 is not useful and 5 is very useful:

    • By the end of the program, participants will be able to communicate the importance of blended finance as an effective tool in the international development toolbox to achieve the SDGs

    • By the end of the program, participants will have learnt to critically identify, evaluate and assess blended finance proposals

    • By the end of the program, participants will have learnt how to design and implement blended finance proposals and successfully attract public sector and philanthropic sector funding to blended finance proposals

13. Please rate the usefulness of the following proposed training sessions on a scale of 1-5, where 1 is not useful and 5 is very useful

- How blended finance can be deployed to narrow the Sustainable Development Goals financing gap

- Mapping blended finance instruments/solutions to the Sustainable Development Goals 4

- How blended finance can be deployed to address the main impediments of the private sector

- Analysis and evaluation of blended finance instruments/solutions

- What are the key components of a best-practice blended finance transaction to attract?

Private sector investment

- What principles should govern the deployment of public sector funds in blended finance?

  Transactions to achieve additionally while enhancing market-supporting solutions

- How can the public sector and philanthropic sector structure blended finance solutions to ensure its benefits accrue to development needs and not "subsidize the private sector"
- How is blended finance deployed and how can the public sector get value for money and leverage from blended finance
- How is blended finance combined with other donor-supported activities to maximise impact?
- What national characteristics influence the success of blended finance to crowd in private sector investment?
- How OECD-DAC members and other donors are engaged with blended finance
- Governance of blended finance funds to ensure additionally and market-supporting solutions

14. Based on budget, Convergence would like to partner with third-party organisations in order to deliver content such as case studies and best practices amongst others. On a scale of 1-5 in terms of your interest, which of the following organisations would you like to see included in the delivery of the training?

- European Commission
- The Organisation for Economic Co-operation and Development (OECD)

- UK Department for International Development (DFID)
- United States Agency for International Development (USAID)
- Swedish International Development Corporation Agency (SIDA)
- The International Finance Corporation (IFC)
- African Development Bank (AfDB)
- European Investment Bank (EIB)
- Overseas Private Investment Corporation (OPIC)
- German KfW Development Bank or DEG
- Netherlands Development Finance Company (FMO)
- Bill & Melinda Gates Foundation
- The Ford Foundation
- The Rockefeller Foundation

15. Please rate the following types of programme delivery formats on a scale of 1-5, where 1 is not useful and 5 is very useful

- Case studies
- Group activities
- Panel discussions
- Presentations
- Question and Answer sessions

Programme Details and Structure

16. Depending on the location of your organisation, which city would be most convenient for the training programme to be held?

• Kigali, Rwanda

• Nairobi, Kenya

• Abuja, Nigeria

• Accra, Ghana

• Johannesburg, South Africa

• Lusaka, Zambia

17. How many people from your organisation do you think would be interested to participate in the training programme?

•1 •2 •3 •4 • 5 or more

18. Do you think a 2-3 day training programme is the appropriate length?

• More than 3 days is the appropriate length

• 3 days is the appropriate length

• 2 days is the appropriate length

• 1 day is the appropriate length

19. In principle, the training would likely be delivered in English in all three locations with French translation for Western Africa. Which of the following languages would you prefer the training delivery?

- English
- French
- Other (Please specify language name)

20. AADFI and Convergence will attempt to raise donor funding to cover part of the costs for the training to reduce the costs for participants. What amount do you think your organisation would be prepared to pay per participant for a 2-3 day blended finance training programme?

- Below USD 1 000
- Between USD 1 000-2 000
- Between USD 2 000-3 000
- Above USD 3 000

21. Please rank the impact of the following factors on your attendance at the training programme

•Cost
•Content
•Location
•Duration

22. What is your preferred format for dissemination of learning resources?

- Online
- Print
- Flash drive
- Other (Please specify)

23. Please use the following space to provide any general feedback on the content of the blended finance training program

24. Please use the following space to provide any general feedback on the details/structure of the blended finance training program

Respondent Information

25. What type of organisation are you representing? (Please check as appropriate)

• National Institution

• Multiregional Institution

• Regional Institution – West Africa

• Regional Institution – East Africa

• Regional Institution – Northern Africa

• Regional Institution – Southern Africa

• Regional Institution – Central Africa

26. What is your organisation's sector of focus? (Please check as appropriate)

• We are sector Agnostic

• Agriculture

• Infrastructure

• Industrials

- Energy
- Other (Please specify sector name)

ANNEXURE B

Researcher Survey

INNOVATIVE FINANCE

At

AFRICAN DEVELOPMENT FINANCE INSTITUTIONS

PART 1: MANDATE AND INSTITUTIONAL FRAMEWORK

As a member of the AADFI, you have identified yourself as a Development Finance Institution. This means that you advance finance in support of development.

Further, your institution responded to the training needs analysis delivered by AADFI, with Convergence, on Blended Finance. You have indicated an active interest in knowing more.

We now would like to ask you some more questions, on the broader area of Innovative Finance. In particular, we would like to know how and when you have had occasions to use it.

SOURCE DOCUMENTATION

In order to enable analysis, we ask that you please share with us your:

- Organogram
- Your credit policy for all transactions
- A document which details the delegations of authority for new products and credit decisions
- A document which details how decisions are made within your organisation

PART A: CHARACTERISTICS

1. In your institution, what type of finance do you advance? Please tick to indicate the types of instruments provided by your institution

    a. Debt ______
    b. Equity ______
    c. Guarantees, ______
    d. Insurance ______
    e. Blended finance ______
    f. Risk sharing ______
    g. Vendor finance ______

h. Mezzanine finance ______

i. Credit card facilities ______

j. Other, please specify __________

2. In your organisation, which position is responsible for growth in the lending book

   a. CEO

   b. Executive member

      i. 1 or less ii) greater than 1

   c. 1 level below Executive

      i. 1 or less ii) greater than 1

   d. 2 levels below Executive

      i. 1 or less ii) greater than 1

3. Where does the new product team present/roll our new products?

   a. CEO

   b. To Executive member

   c. To those managers 1 level below Executive

d. To those managers 2 levels below Executive

e. Other____________

PART B: INSTRUMENTS

Awareness

4. When did you first become aware of term Innovative Finance

   a. less than 2 years

   b. 2-5 years ago

   c. 5-10years ago

   d. greater than 10 years

5. When looking at Innovative Finance opportunities, the following factors are important.
   Please rank their importance to your organisation.
   Please pick a number from 1-6.
   1 is very important – 6 is not as important.

   a. The partners that work with the institution to finance

   b. The financing instrument that is being proposed

   c. The quantum your institution will invest

   d. The risk mitigation opportunity

   e. The potential to crowd in

6. Please list 3 transactions on your organisation which were developed using innovative finance principles or instruments.

7. For each one, please list the 3 characteristics made them successful
   Thank you for your time.

The Transactions

We are now going to talk in detail about one of your transactions. Please choose the one that you believe best shows the use of Innovative Finance in your business.

8. Transaction data:
   Please tell me about this transaction:

   8.1 What was the Size (USD):

   0-10mill

   11-20mill

   21-50mill

   50-100mill

   100 – 250,

   250 and above

8.2 What instrument was used?

Debt

Equity,

Convertible note

OTHER…

8.3 What was being financed?
Acquisition
Production
working capital
Infrastructure

8.4 Over what period
1 or less
5-10
11-15
15-20
20 and above

9. During the credit decision, what were the top 3 most contentious factors? Rank by importance

   a. Pricing

   b. Counterparty relevance

   c. Counterparty technical strength

   d. Relevance of Development Impact

   e. Cash flow reliance

   f. Security

g. Affordability

h. Risk appetite

10. How many Innovative finance transactions in your organisation have involved a

a. private sector partner ___________ as financier ________
as technical part ________
as advisor ________
other ________

b. as NGO ___________ as financier ________
as technical part ________
as advisor ________
____

c. a Civil society entity ___________ as financier ________
as technical part ________
as advisor ________
____

11. If No, please tell us why not.

12. Why did you decide to finance those transactions?

13. Was there a criterion you used to assess whether you should be involved?

a. Please can you share that with us

We would like to thank you for your time to participate in this research.

The data collected will be analysed and presented to members in the coming calendar year.

We look forward to further positive engagements.

ANNEXURE C

AADFI SURVEY RESULTS

CONVERGENCE
BLENDING GLOBAL FINANCE

SURVEY RESULTS
AADFI Members
Blended Finance Training

Survey Participants

13 AADFI member institutions (15 responses in total)

1. Infrastructure Development Bank of Zimbabwe
2. BDEAC
3. Swaziland Industrial Development Company
4. Tourism Finance Corporation
5. NIRSAL PLC
6. East African Development Bank (3 responses)
7. Liberian Bank for Development & Investment
8. Development Bank of Seychelles
9. Uganda Development Bank
10. Industrial & Commercial Development Corporation
11. The Infrastructure Bank Plc
12. TIB Development Bank
13. Banco de Poupanca e Credito (BPC)

Survey Results

Organisational Capacity Capabilities

- 80% of respondents stated that they have heard of the term "blended finance"
- 20% of respondents described their organisation's level of understanding of blended finance to be poor while 46.67% described their level of understanding to be fair
- 53.33% of respondents stated that their organisations are inadequately equipped to identify, evaluate and execute blended finance transactions whilst 26% stated their organisations were fairly equipped in this regard
- 46.67% of respondents stated that blended finance was critically important to the overall attainment of their organisation's mission while a similar percentage stated that it was very important
- 60% of respondents stated that their organisations had not engaged in any blended finance transactions to date
- 60% of respondents stated their organisations executed less than 50 financing transactions each year whilst 20% stated that range for their organisations is between 50-100 financing transactions
- 53% of respondents stated their organisations' annual financing volumes lie between USD 50-100 million whilst 40% stated that their organisation's annual financing volumes were less than USD 50 million
- 40% of respondents stated that 50-100% of their organisations' annual financing transactions are directed to the private sector
- 56.25% of respondents stated their organisations have a strong understanding of the fundamental principles and practices of private sector financing and investment while 31.25% stated that their organisations have a fair understanding of these concepts

- 93.33% of respondents stated their organisations have a high interest in increasing financing transactions to the private sector
- The African Development Bank, European Investment Bank, German KfW and Islamic Development Bank and IFC are the top five donor agencies/MDBs/DFIs that survey respondents stated that they have the most engagement with

Programme Related/Content Focused

- Respondents stated that most useful learning outcome from the training programme would involve participants learning how to design and implement blended finance proposals that successfully attract public and philanthropic capital
- Respondents rated the following as areas that they would be most interested in learning about
    - Key components of a best practice blended finance transaction to attract private sector investment
    - Principles that should govern the deployment of public sector funds in blended finance transactions to achieve additionality while enhancing market-supporting solutions
    - How the public and philanthropic sector can structure blended finance solutions so as to ensure that its benefits accrue to development needs and not "subsidise" the private sector
    - How can blended finance be combined with other donor-supported activities to maximise impact
- The following are the top three organisations that respondents would like to see included in the training
    - International Finance Corporation (IFC)
    - African Development Bank (AfDB)
    - Netherlands Development Finance Company (FMO)

- Respondents believe that case studies would serve as the most useful delivery format with respect to the training session
- The following locations were ranked as the most convenient locations for the training programme to be held
    - Johannesburg, South Africa
    - Kigali, Rwanda
    - Abuja, Nigeria
- 61.54% of respondents believe that their organisations would be interested in sending 5 or more individuals to participate in the training programme
- 53.85% of respondents stated that a training programme of more than three days would be the appropriate length
- 69.23% of respondents believe that their organisations would be prepared to pay below USD 1 000 for a 2-3-day blended finance training programme while 23.08% believe that their organisations would consider an amount between USD 1 000-2 000
- Respondent ranked the following as the most important factors that would influence their attendance
    - Content
    - Cost & Location (joint second)
    - Duration

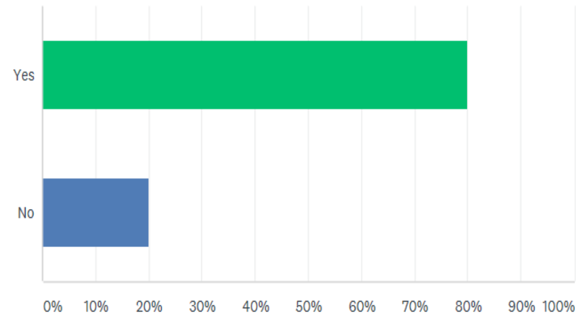
ANNEXURE D

Quantitative Statistical Results from Survey

Q2

Have you heard of the term blended finance?

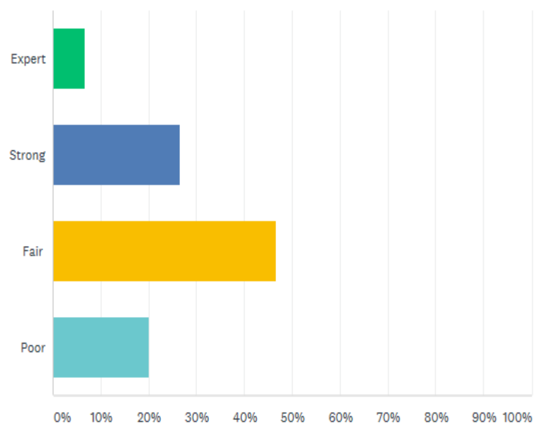
Answered: 15 Skipped: 2

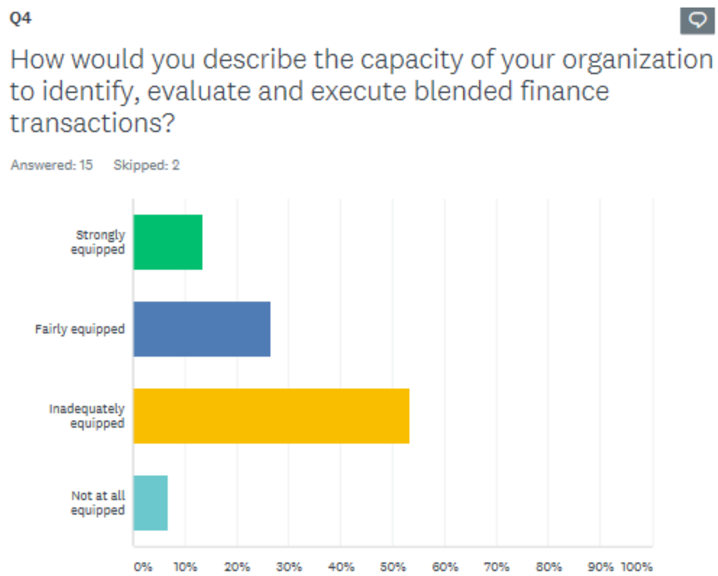


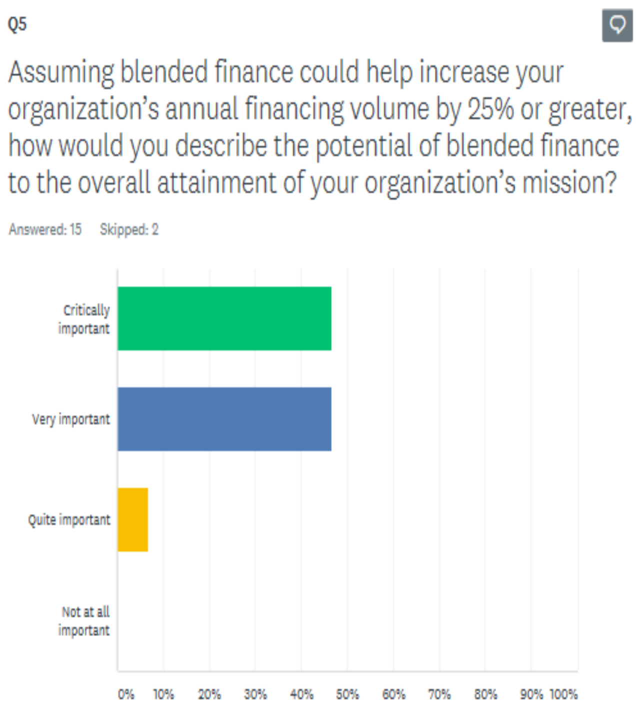
Q3

How would you describe your organization's level of understanding of blended finance?

Answered: 15 Skipped: 2



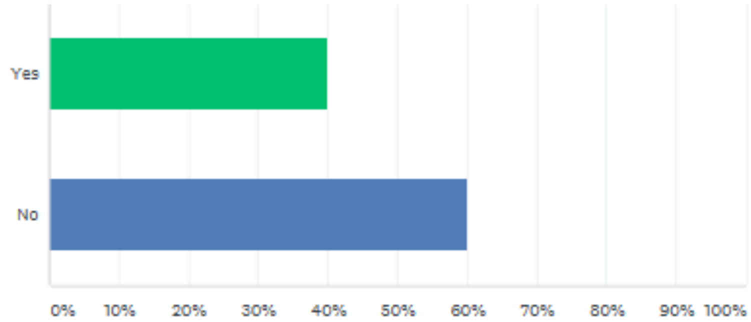

Q4
How would you describe the capacity of your organization to identify, evaluate and execute blended finance transactions?
Answered: 15 Skipped: 2
Strongly equipped
Fairly equipped
Inadequately equipped
Not at all equipped
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%


Q5
Assuming blended finance could help increase your organization's annual financing volume by 25% or greater, how would you describe the potential of blended finance to the overall attainment of your organization's mission?
Answered: 15 Skipped: 2
Critically important
Very important
Quite important
Not at all important
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Q6

Has your organization engaged in any blended finance transactions to date?

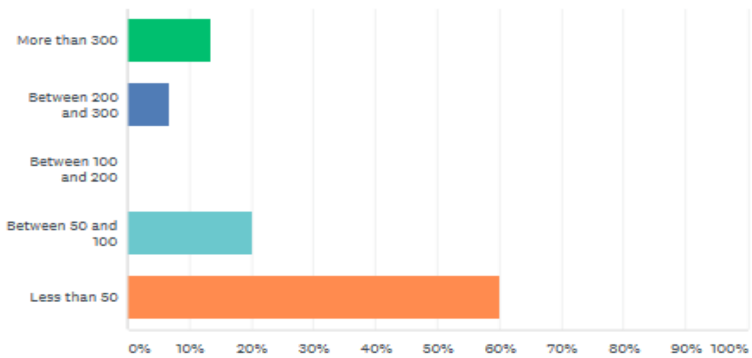
Answered: 15 Skipped: 2



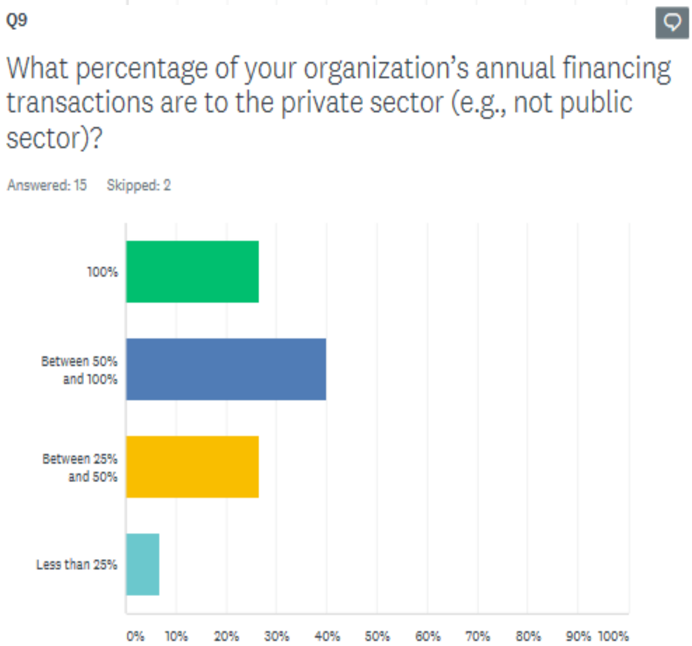
Q7

How many financing transactions does your organization execute each year?

Answered: 15 Skipped: 2



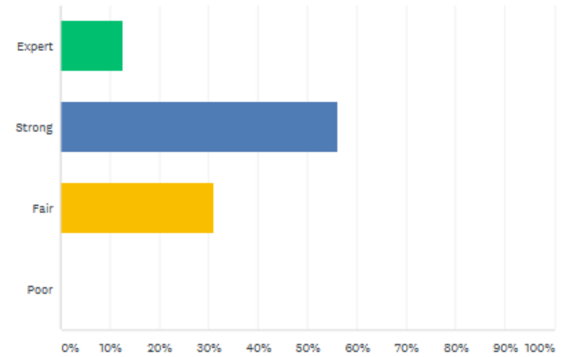

Q8
What is the annual financing volume of your organization?
Answered: 15 Skipped: 2
More than USD 1 billion
Between USD 100 million ...
Between USD 50 million and ...
Less than USD 50 million


Q9
What percentage of your organization's annual financing transactions are to the private sector (e.g., not public sector)?
Answered: 15 Skipped: 2
100%
Between 50% and 100%
Between 25% and 50%
Less than 25%
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Q10

How would you describe your organization's understanding of the fundamental principles and practices of private sector financing and investment?

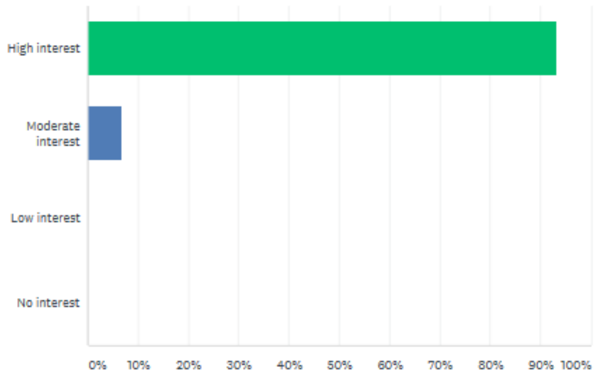
Answered: 16 Skipped: 1



Q11

How would you describe your organization's interest to increase its financing transactions to the private sector?

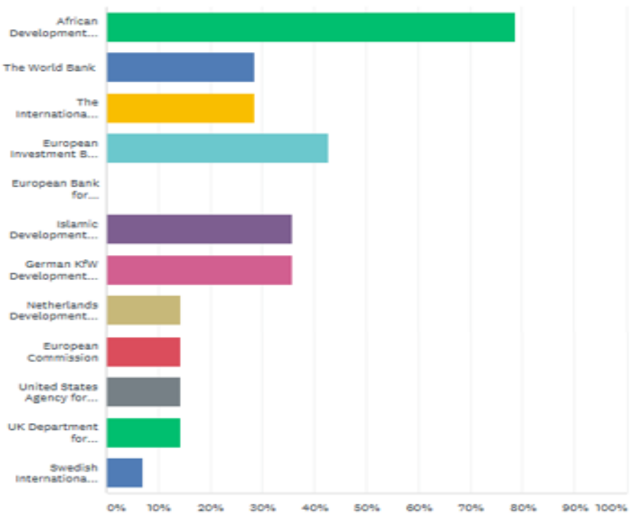
Answered: 15 Skipped: 2



Q12

Which of the following donor agencies, multilateral development banks and development finance institutions do you have engagement with? (Please check as appropriate)

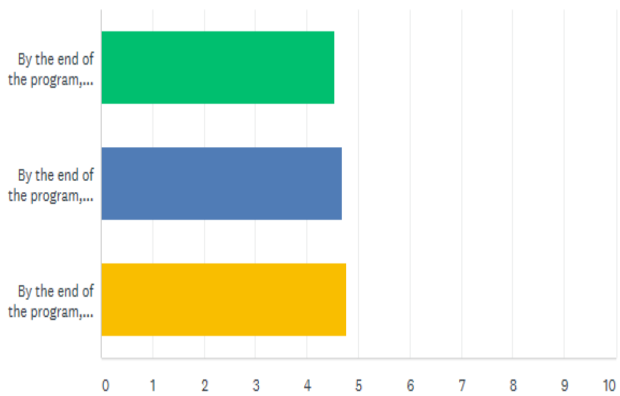
Answered: 14 Skipped: 3

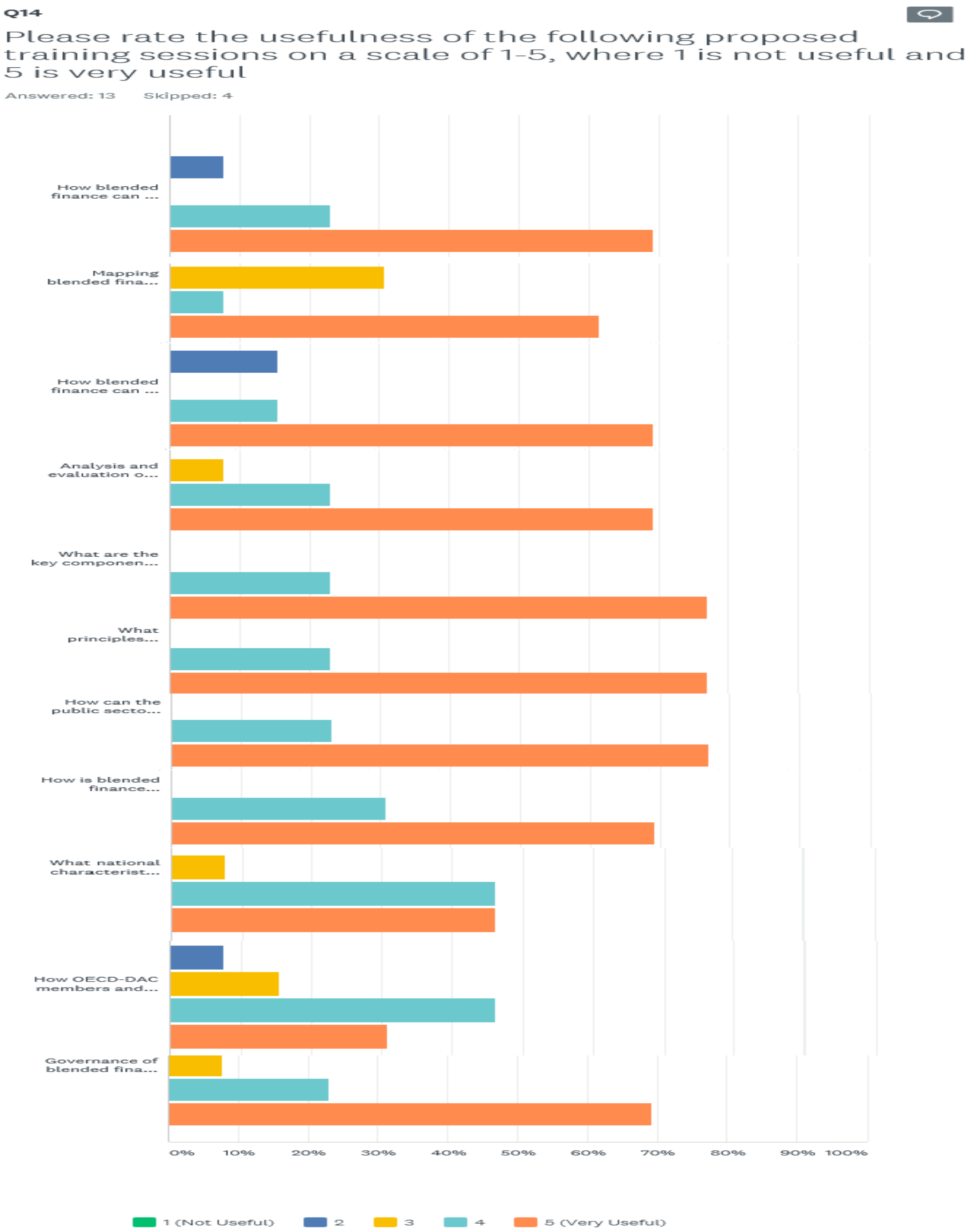


Q13

Please rate the following proposed learning outcomes of the training program on a scale of 1-5, where 1 is not useful and 5 is very useful

Answered: 13 Skipped: 4

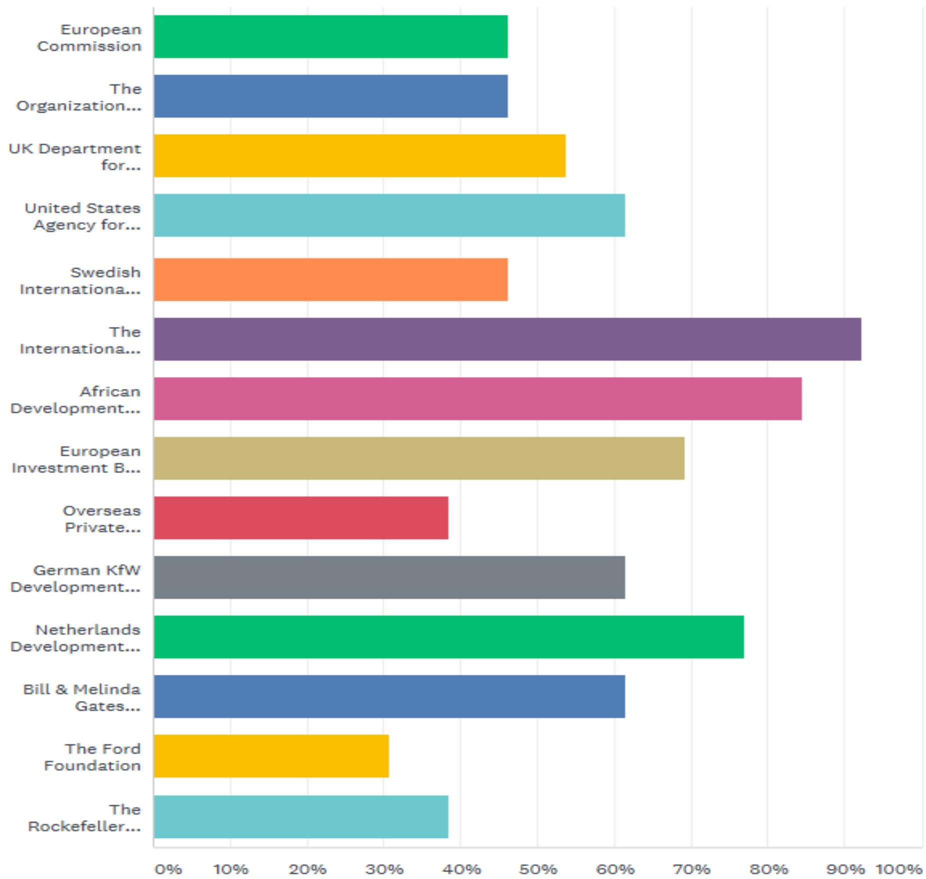



Q14
Please rate the usefulness of the following proposed training sessions on a scale of 1-5, where 1 is not useful and 5 is very useful
Answered: 13 Skipped: 4
How blended finance can ...
Mapping blended fina...
How blended finance can ...
Analysis and evaluation o...
What are the key componen...
What principles...
How can the public secto...
How is blended finance...
What national characterist...
How OECD-DAC members and...
Governance of blended fina...
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
1 (Not Useful) 2 3 4 5 (Very Useful)

Q15

Based on budget, Convergence would like to partner with third party organizations in order to deliver content such as case studies and best practices amongst others. In terms of your interest, which of the following organizations would you like to see included in the delivery of the training? (Please check as appropriate)

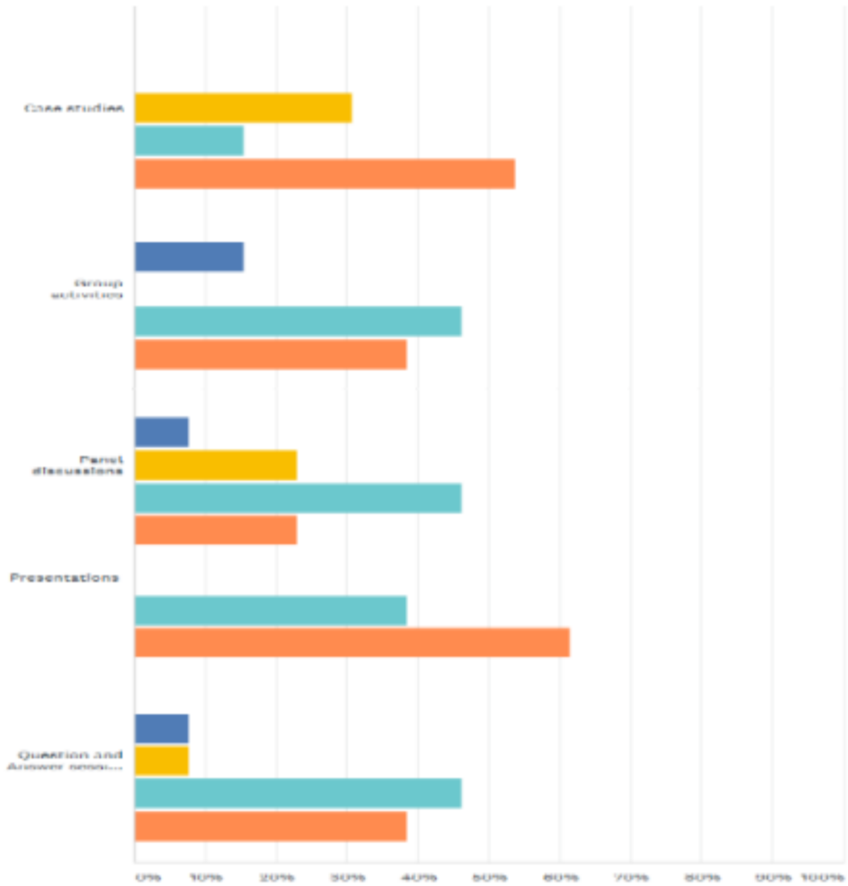
Answered: 13 Skipped: 4



Q16

Please rate the following types of program delivery formats on a scale of 1 5, where 1 is not useful and 5 is very useful

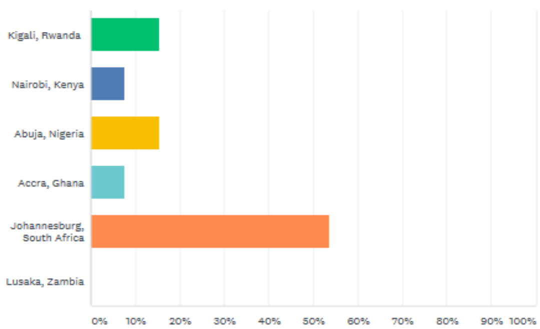
Answered: 13 Skipped: 4



Q17

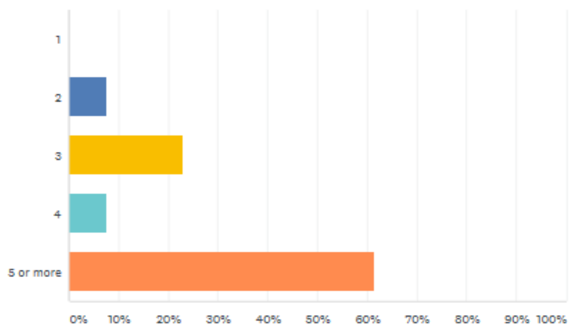
Depending on the location of your organization, which city would be most convenient for the training program to be held?

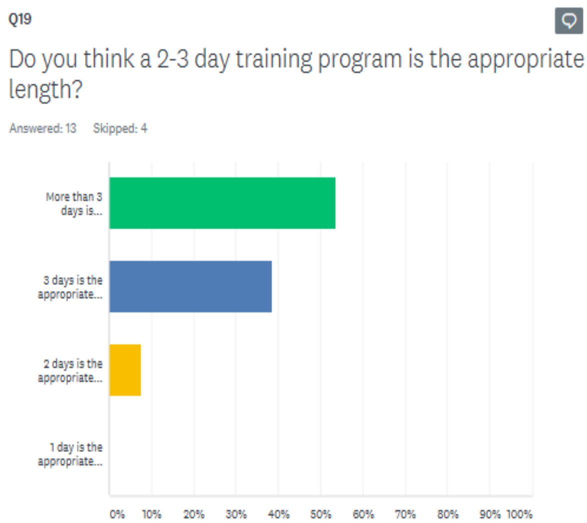
Answered: 13 Skipped: 4

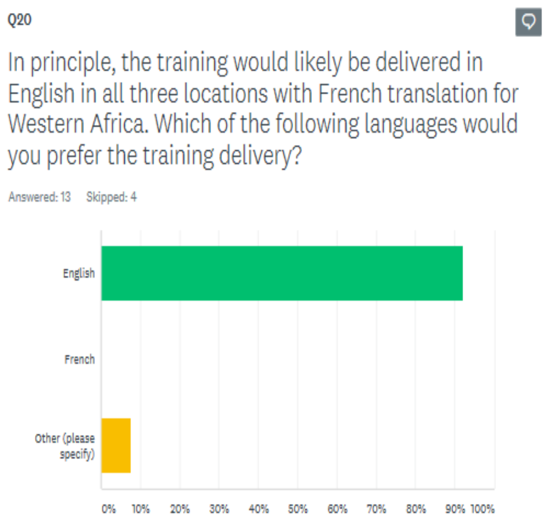


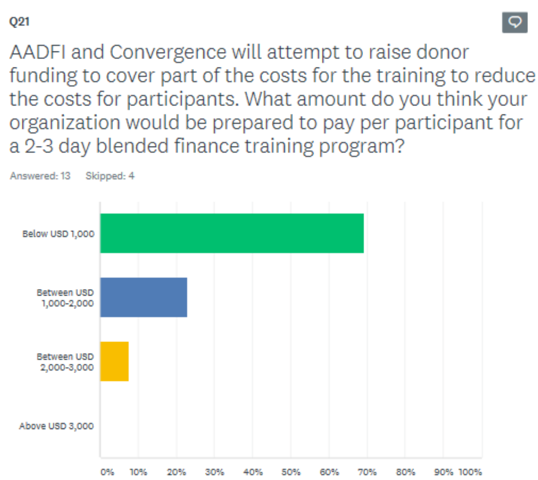
How many people from your organization do you think would be interested to participate in the training program?

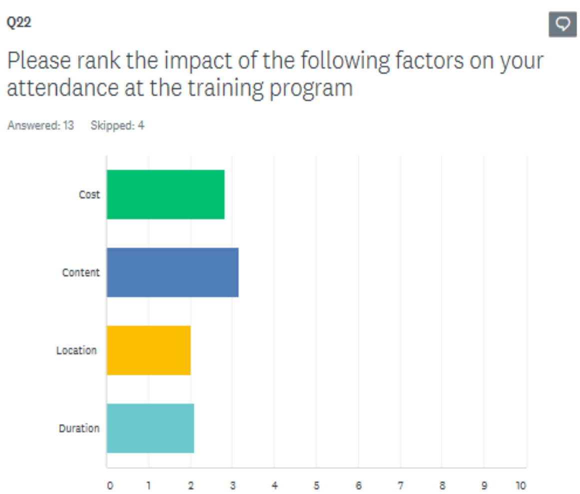
Answered: 13 Skipped: 4

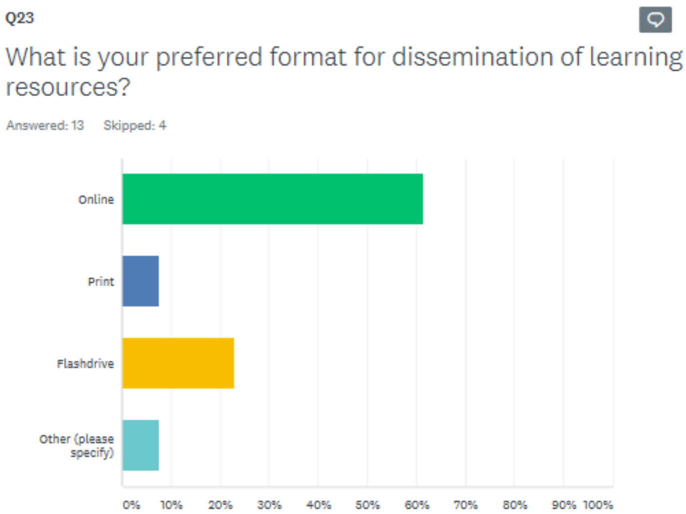


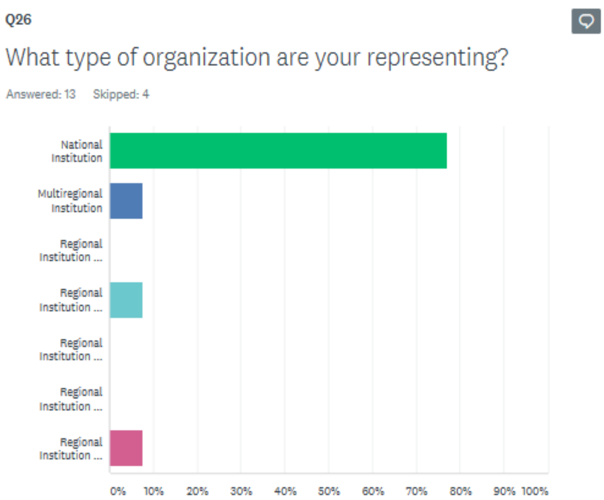

Q19
Do you think a 2-3 day training program is the appropriate length?
Answered: 13 Skipped: 4
More than 3 days is...
3 days is the appropriate...
2 days is the appropriate...
1 day is the appropriate...
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%


Q20
In principle, the training would likely be delivered in English in all three locations with French translation for Western Africa. Which of the following languages would you prefer the training delivery?
Answered: 13 Skipped: 4
English
French
Other (please specify)
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%


Q21
AADFI and Convergence will attempt to raise donor funding to cover part of the costs for the training to reduce the costs for participants. What amount do you think your organization would be prepared to pay per participant for a 2-3 day blended finance training program?
Answered: 13 Skipped: 4
Below USD 1,000
Between USD 1,000-2,000
Between USD 2,000-3,000
Above USD 3,000
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%


Q22
Please rank the impact of the following factors on your attendance at the training program
Answered: 13 Skipped: 4
Cost
Content
Location
Duration
0 1 2 3 4 5 6 7 8 9 10


Q23
What is your preferred format for dissemination of learning resources?
Answered: 13 Skipped: 4
Online
Print
Flashdrive
Other (please specify)
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%


Q26
What type of organization are your representing?
Answered: 13 Skipped: 4
National Institution
Multiregional Institution
Regional Institution ...
Regional Institution ...
Regional Institution ...
Regional Institution ...
Regional Institution ...
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%


Q27
What is your organizations sector of focus?
Answered: 13 Skipped: 4
We are sector agnostic
Agriculture
Infrastructure
Industrials
2 (15.38%)
Energy
Other (please specify)
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

ANNEXURE E

LIKERT scale outcome of Survey: AADFI

Respondent ID	Have you heard of the term blende	How would you describe your organizat		How would you describe the capacity of your organization to identify,		Assuming blended finance could help increase your		Has your organization engaged in any blended finance transactions to		How many financing transaction s does your organizatio n execute		What is the annual financing volume of your organization?		What percentage of your organization' s annual financing		How would you describe your organizati on's		How would you describe your organization's interest to increase its financing transactions to the private sector?	
	Response	Response	VALUES	Response	VALUES	Response	VALUES	Response	VALUES	Response	VALUES	Response	VALUES	Response	VALUES	Response	VALUES	Response	VALUES
		LEGEND:																	
		None = 1		**Not at all = 1**		**No importance = 1**		**No = 1**		**No transactions = 1**		**Less than USD 50m = 1**		**0 - 25% = 1**		**None = 1**		**Moderate = 1**	
		Poor = 2		**Inadequately = 2**		**Slightly important = 2**		**Yes = 2**		**Less than 50 = 2**		**Between USD 50m-100m = 2**		**25 - 50% = 2**		**Poor = 2**		**High = 2**	
		Fair = 3		**Fairly = 3**		**Quite important = 3**				**50 - 100 = 3**		**Between USD 100m - USD 1**		**50 - 100% = 3**		**Fair = 3**			
		Strong = 4		**Strongly = 4**		**Very important = 4**				**200-300 = 4**				**100% = 4**		**Strong = 4**			
		Expert = 5		**Expertly = 5**		**Critically important = 5**				**More than 300 = 5**						**Expert = 5**			
6395590336	Yes	Fair	3	Inadequately ec	2	Critically imp	5	No	1	Less than 50	2	Between USD 50	2	Less than 25%	1	Fair	3	High interest	2
6350942738	Yes	Fair	3	Inadequately ec	2	Quite import	3	No	1	Less than 50	2	Between USD 10	3	Between 25% a	2	Strong	4	High interest	2
6345443122	Yes	Strong	4	Strongly equipp	4	Critically imp	5	Yes	2	Between 50 a	3	Between USD 50	2	Between 50% a	3	Strong	4	High interest	2
6345268095	No	Fair	3	Inadequately ec	2	Very importa	4	No	1	Less than 50	2	Between USD 50	2	Between 50% a	3	Strong	4	High interest	2
6343533311	Yes	Fair	3	Fairly equipped	3	Very importa	4	No	1	Between 50 a	3	Less than USD 50	1	Between 50% a	3	Strong	4	High interest	2
6335895816	Yes	Strong	4	Fairly equipped	3	Critically imp	5	Yes	2	More than 30	5	Between USD 50	2	100%	4	Fair	3	High interest	2
6329672340	Yes	Strong	4	Fairly equipped	3	Very importa	4	Yes	2	Less than 50	2	Between USD 50	2	Between 50% a	3	Strong	4	High interest	2
6323261606	No	Fair	3	Inadequately ec	2	Critically imp	5	No	1	More than 30	5	Less than USD 50	1	Between 25% a	2	Strong	4	High interest	2
6322524955	Yes	Poor	2	Inadequately ec	2	Very importa	4	Yes	2	Less than 50	2	Less than USD 50	1	100%	4	Strong	4	High interest	2
6322301892																			
6321697669	Yes	Fair	3	Inadequately ec	2	Very importa	4	Yes	2	Less than 50	2	Less than USD 50	1	Between 50% a	3	Fair	3	High interest	2
6320991508	Yes	Fair	3	Inadequately ec	2	Critically imp	5	No	1	Between 50 a	3	Between USD 50	2	100%	4	Strong	4	High interest	2
6320511135	Yes	Poor	2	Inadequately ec	2	Very importa	4	No	1	Less than 50	2	Less than USD 50	1	100%	4	Fair	3	High interest	2
6319639261	No	Expert	5	Strongly equipp	4	Critically imp	5	No	1	Less than 50	2	Between USD 50	2	Between 25% a	2	Expert	5	High interest	2
6318151591																Expert			
6318124146	Yes	Poor	2	Not at all equip	1	Critically imp	5	No	1	Less than 50	2	Less than USD 50	1	Between 25% a	2	Fair	3	High interest	2
6316764393	Yes	Strong	4	Fairly equipped	3	Very importa	4	Yes	2	Between 200	4	Between USD 50	2	Between 50% a	3	Strong	4	Moderate interest	1
		RESPONSE	**48**		**37**		**66**		**21**		**41**		**25**		**43**		**56**		**29**
		OPTIMAL S	**85**		**85**		**85**		**34**		**85**		**68**		**68**		**85**		**34**
		Percentage	**######**		**43,53%**		**77,65%**		**61,76%**		**48,24%**		**36,76%**		**63,24%**		**65,88%**		**85,29%**

				Please rate the usefulness of the following proposed training sessions on a scale of 1-5, where 1 is not useful and 5 is very useful					
By the end of the program, participants will have learnt to critically identify, evaluate and assess blended finance proposals	**VALUES**	By the end of the program, participants will have learnt how to design and implement blended finance proposals and successfully attract public sector and philanthropic sector funding to blended finance proposals	**VALUES**	How blended finance can be deployed to narrow the Sustainable Development Goals financing gap	**VALUES**	Mapping blended finance instruments/solutions to the Sustainable Development Goals	**VALUES**	How blended finance can be deployed to address the main impediments of the private sector	**VALUES**
Not useful = 1		**Not useful = 1**		**Not useful = 1**		**Not useful = 1**		**Not useful = 1**	
Slightly useful = 2		**Slightly useful = 2**		**Slightly useful = 2**		**Slightly useful = 2**		**Slightly useful = 2**	
Useful = 3		**Useful = 3**		**Useful = 3**		**Useful = 3**		**Useful = 3**	
Considerably useful = 4		**Considerably useful = 4**		**Considerably useful = 4**		**Considerably useful = 4**		**Considerably useful = 4**	
Very useful = 5		**Very useful = 5**		**Very useful = 5**		**Very useful = 5**		**Very useful = 5**	
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
4	**4**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	4	**4**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	4	**4**
4	**4**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	3	**3**	2	**2**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	4	**4**	3	**3**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	4	**4**	5 (Very Useful)	**5**
4	**4**	4	**4**	4	**4**	3	**3**	4	**4**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	4	**4**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
4	**4**	4	**4**	2	**2**	3	**3**	2	**2**
	61		**62**		**59**		**56**		**57**
	85		**85**		**85**		**85**		**85**
	71,76%		**72,94%**		**69,41%**		**65,88%**		**67,06%**

Analysis and evaluation of blended finance instruments/solutions	VALUES	What are the key components of a best-practice blended finance transaction to attract private sector investment	VALUES	What principles should govern the deployment of public sector funds in blended finance transactions to achieve additionally while enhancing market supporting solutions	VALUES	How can the public sector and philanthropic sector structure blended finance solutions to ensure its benefits accrue to development needs and not "subsidize the private sector"	VALUES	How is blended finance deployed and how can the public sector get value for money and leverage from blended finance	VALUES
Not useful = 1		**Not useful = 1**		**Not useful = 1**		**Not useful = 1**		**Not useful = 1**	
Slightly useful = 2		**Slightly useful = 2**		**Slightly useful = 2**		**Slightly useful = 2**		**Slightly useful = 2**	
Useful = 3		**Useful = 3**		**Useful = 3**		**Useful = 3**		**Useful = 3**	
Considerably useful = 4		**Considerably useful = 4**		**Considerably useful = 4**		**Considerably useful = 4**		**Considerably useful = 4**	
Very useful = 5		**Very useful = 5**		**Very useful = 5**		**Very useful = 5**		**Very useful = 5**	
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
4	**4**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	4	**4**
3	**3**	4	**4**	4	**4**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	4	**4**	5 (Very Useful)	**5**	4	**4**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
4	**4**	4	**4**	4	**4**	4	**4**	4	**4**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	4	**4**	5 (Very Useful)	**5**
4	**4**	4	**4**	5 (Very Useful)	**5**	4	**4**	4	**4**
	60		**62**		**62**		**62**		**61**
	85		**85**		**85**		**85**		**85**
	70,59%		**72,94%**		**72,94%**		**72,94%**		**71,76%**

								Based on budget, Convergence would like to partner with third party organizations in order to deliver content such as case studies and best practices amongst others. In terms of your interest, which of the following
How is blended finance combined with other donor supported activities to maximize impact	VALUES	What national characteristics influence the success of blended finance to crowd in private sector investment	VALUES	How OECD-DAC members and other donors are engaged with blended finance	VALUES	Governance of blended finance funds to ensure additionality and market supporting solutions	VALUES	European Commission
Not useful = 1		**Not useful = 1**		**Not useful = 1**		**Not useful = 1**		
Slightly useful = 2		**Slightly useful = 2**		**Slightly useful = 2**		**Slightly useful = 2**		
Useful = 3		**Useful = 3**		**Useful = 3**		**Useful = 3**		
Considerably useful = 4		**Considerably useful = 4**		**Considerably useful = 4**		**Considerably useful = 4**		
Very useful = 5		**Very useful = 5**		**Very useful = 5**		**Very useful = 5**		
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	
5 (Very Useful)	**5**	4	**4**	4	**4**	4	**4**	
4	**4**	4	**4**	4	**4**	5 (Very Useful)	**5**	European Commission
5 (Very Useful)	**5**	4	**4**	4	**4**	4	**4**	
3	**3**	4	**4**	2	**2**	5 (Very Useful)	**5**	
5 (Very Useful)	**5**	5 (Very Useful)	**5**	4	**4**	5 (Very Useful)	**5**	European Commission
5 (Very Useful)	**5**	5 (Very Useful)	**5**	4	**4**	5 (Very Useful)	**5**	European Commission
4	**4**	3	**3**	3	**3**	3	**3**	
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	European Commission
5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	5 (Very Useful)	**5**	European Commission
5 (Very Useful)	**5**	4	**4**	4	**4**	5 (Very Useful)	**5**	European Commission
5 (Very Useful)	**5**	4	**4**	3	**3**	4	**4**	
	61		**57**		**52**		**60**	
	85		**85**		**85**		**85**	
	71,76%		**67,06%**		**61,18%**		**70,59%**	

				What is your preferred format for dissemination of learning resources?		Please use the following space to provide any general feedback on the content of the blended finance training program	Please use the following space to provide any general feedback on the details/structure of the blended finance training program	What type of organization are your representing?	What is your organizations sector of focus?
Location	VALUES	Duration	VALUES	Response	Other (please specify)	Open-Ended Response	Open-Ended Response	Response	Response
No impact = 1		**No impact = 1**							
Slight impact = 2		**Slight impact = 2**							
Average impact = 3		**Average impact = 3**							
Considerable impact = 4		**Considerable impact = 4**							
Very high impact = 5		**Very high impact = 5**							
4	**4**	3	**3**	Flashdrive		It will need to look at practic	It will need to look at practica	National Institution	Infrastructure
3	**3**	4	**4**	Online		No comment so far	No comment so far	Regional Institution -	Other (please specify)
2	**2**			Online				National Institution	Other (please specify)
3	**3**	4	**4**	Online		Quite sufficient	very detailed	National Institution	Other (please specify)
2	**2**	1	**1**	Online		The mandate of NIRSAL PLC i	The structure, content and de	National Institution	Agriculture
1	**1**	2	**2**	Online				Regional Institution -	We are sector agnosti
3	**3**	2	**2**	Online		Provide practical examples	Presentation, case studies an	National Institution	Other (please specify)
4	**4**	3	**3**	Flashdrive				National Institution	Other (please specify)
2	**2**	4	**4**	Print		Start and keep basics		National Institution	We are sector agnosti
4	**4**	3	**3**	Other (please specify)	Portal from	The program in addition to p	The program should also hav	National Institution	Industrials
4	**4**	3	**3**	Online				National Institution	Infrastructure
4	**4**	3	**3**	Flashdrive		Given that our institution is	The training should have a nu	National Institution	Other (please specify)
				Online		No program	No program	Multiregional Institu	Other (please specify)
	36		**32**						
	85		**85**						
	42,35%		**37,65%**						

ANNEXURE F

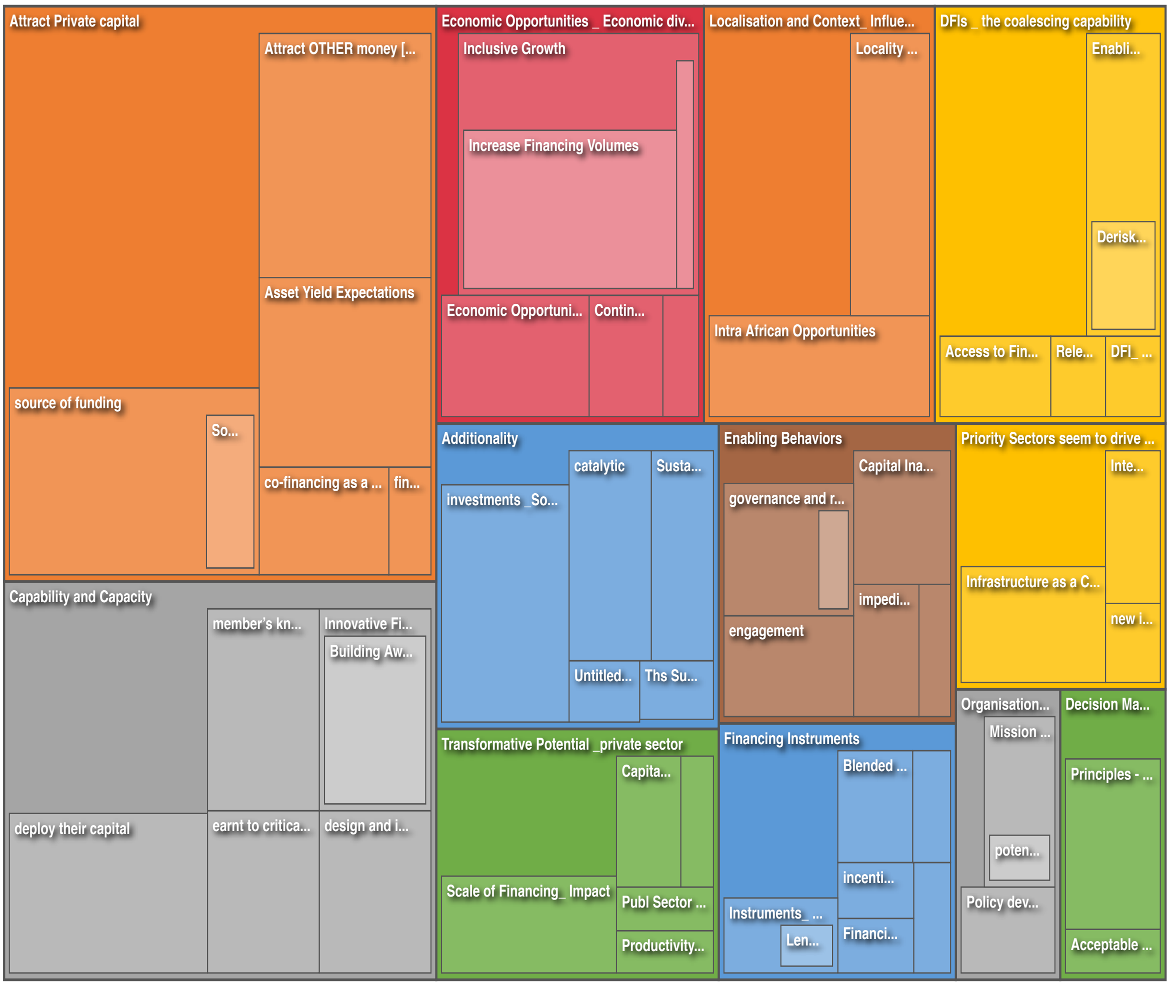
Extract of Phase III Coding frame outcomes translated into 5 out of the 32 categories

Coding frame	Category
The results presented generally a high awareness of the blended finance amongst participants of blended finance as a term (80% have heard of the term "blended finance"). In addition, there is overwhelming interest in private sector participation (93% expressed interest in more private sector). Further, there is large recognition of the need for need for blended finance and its alignment to their organisations' long-term thinking (over 85%). But, over half of the organisations have not executed, any blended finance transitions	Awareness and alignment but a clear gap in execution.
A smaller number of DFIs (20%) were not aware of blended finance, did not understand it, and these were the ones who tended to finance smaller transactions (below 50 million).	The lack of understanding will deepen as financing scales become smaller
An equal number of DFI assessed themselves as being inadequately equipped to assess and blend and an unexpectedly smaller number (26%) must consider themselves to be equipped. Yet to align to this, some DFIs (20%) reflected honestly the weakness in their organisations' level of capacity. 26% stated their organisations were fairly equipped in this regard. Yet this figure, read with the blended finance understanding indicates that there is work to be done in gaining a common understanding of what blended finance and is not and what it takes to make it work.	Commonality of understanding of uses (Application)

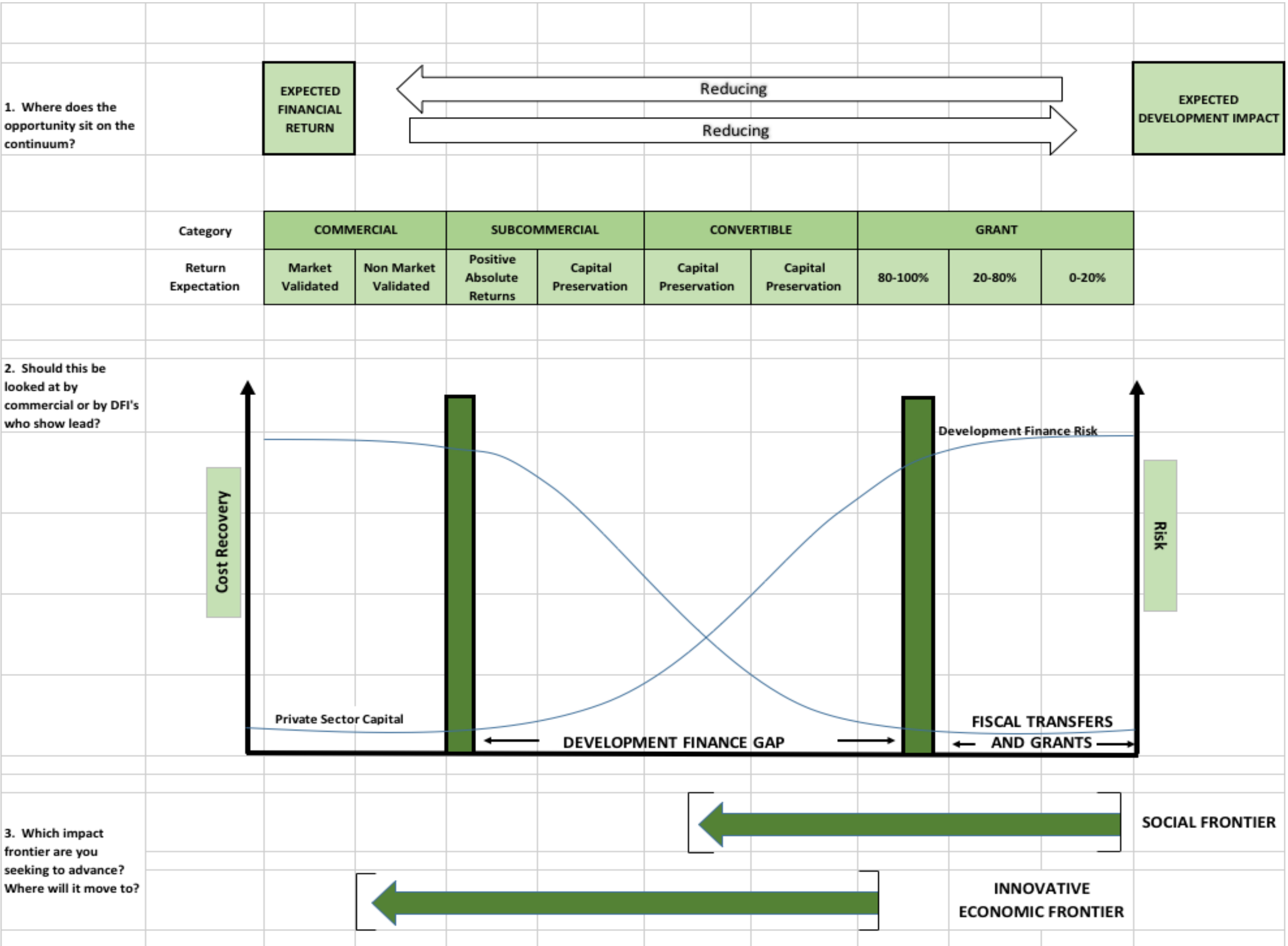
Private sector participation remains a critical success factor; all organisations see value in increasing private sector engagement, some are doing it now, some are starting. Yet, only a small % has private sector participation in their profiles. This finding aligns to the first code	Private sector engagement awareness and alignment. Execution Gap exists in the how

ANNEXURE G

Underlying Coding Dimensions per Category



ANNEXURE H


1. Where does the opportunity sit on the continuum?
EXPECTED FINANCIAL RETURN
Reducing
Reducing
EXPECTED DEVELOPMENT IMPACT
Category
COMMERCIAL
SUBCOMMERCIAL
CONVERTIBLE
GRANT
Return Expectation
Market Validated
Non Market Validated
Positive Absolute Returns
Capital Preservation
Capital Preservation
Capital Preservation
80-100%
20-80%
0-20%
2. Should this be looked at by commercial or by DFI's who show lead?
Cost Recovery
Development Finance Risk
Risk
Private Sector Capital
DEVELOPMENT FINANCE GAP
FISCAL TRANSFERS AND GRANTS
3. Which impact frontier are you seeking to advance? Where will it move to?
SOCIAL FRONTIER
INNOVATIVE ECONOMIC FRONTIER